

HOUSE OF LORDS

Select Committee on Economic Affairs

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5th Report of Session 2006–07

# **Apprenticeship: a key route to skill**

## Volume II: Evidence

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# Minutes of Evidence

TAKEN BEFORE THE SELECT COMMITTEE ON ECONOMIC AFFAIRS

TUESDAY 16 JANUARY 2007

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Present	Sheldon, L (Chairman) Kingsdown, L Lamont of Lerwick, L Layard, L	MacLaurin of Knebworth, L Turner of Ecchinswell, L Vallance of Tummel, L
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## Examination of Witness

Witness: PROFESSOR STEPHEN NICKELL examined.

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**Q1 Chairman:** Welcome to the Committee, Professor Nickell. You have of course been here a couple of times before, so we welcome you back again. You received a CBE in the New Year's Honour's list for which we must offer our congratulations as well. We have this examination now and we would ask you if you have any opening comments you would like to make before we start the questioning?

*Professor Nickell:* This is obviously a very important question. One of the most interesting of all areas is across education and skills and how these are imparted. One of the features of the system in the United Kingdom is that in terms of the total expenditure it would probably be true to say that vastly more is spent on the upper half of the ability range than on the lower half of the ability range. That has many implications for the way the economy works and also for society in general. That in some sense is a background to everything that is going to come up as we go through the discussion.

**Q2 Chairman:** Employment and skills is probably a very important factor in the growth of the economy over the next few years. We have not done marvellously well in recent years. The first question I want to put to you is what do you think are the main reasons for the productivity gap between the United Kingdom and other leading European economies? There is quite a gap between a number of them.

*Professor Nickell:* There is, yes.

**Q3 Chairman:** What do you think are the main reasons?

*Professor Nickell:* We know a bit about this issue. The productivity gap between the United Kingdom and most of the northern European economies and also France in the market sector is probably of the order of 20 per cent; that is in terms of market sector output per hour worked, so it is a standard measure of productivity. The history of the gap is quite simple. By and large, in around 1950 we would have

been ahead of more or less every European country. Between 1950 and the early 1980s most of the important European economies would have caught us up and overtaken us but then there has been a slight closing of the gap since the early 1980s. That is the story. What underlies that? Most of the evidence suggests that there are two main factors here: one is capital intensity—that is, on average, European firms use more capital per head—and the other is the gap in skills. Most of the relevant European economies would have higher level of skills in their workforce, probably including managerial skills as well as skills of their workers. That is only the start because of course you would want to consider why this is the case. You will probably be familiar with the large literature on why Britain has a relatively low rate of investment in fixed capital compared with most other European economies. There is a lot of work discussing issues of short termism and so on and so forth, which to some extent underlie the difference in capital intensity. I guess that so far as this Committee is concerned today, it is the skills gap which is more relevant. The issue there, I suspect, is mainly one of intermediate skills. It would be true to say that differences in levels of degree level education and the quality of workers who have degrees are not that great. The big difference between Britain and many of the European economies is in the next level down. They just seem to be a bit better at vocational training than we are in the UK.

**Q4 Chairman:** Of course we do work longer hours than many of the other countries in Europe.

*Professor Nickell:* We do, yes.

**Q5 Chairman:** If we worked fewer hours, would not the gap per hour be reduced? When you work longer hours your efficiency is not increased at all per hour; it is reduced. The 20 per cent gap per hour would be reduced, would it not?

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*Professor Nickell:* My guess is that the difference in hours per week, which is what you are really talking about, is in fact not that great. I think the evidence would suggest that improvements in productivity gained by having lower levels of weekly working hours would not be very successful. Bear in mind that this gap has been around for quite a long time. In the 1970s the differences in working hours were minimal between Britain and most of the countries of continental Europe and there was still a gap, so I do not see this as particularly important. There is another related issue, which is an argument often used, which is that compared with the major countries of continental Europe, namely France and Germany, we in the UK have a higher employment rate; that is, there are more people working. It is sometimes argued that if you have a higher employment rate what that means is you have more of your unskilled workers working and that, by a mechanical process, would lead to lower levels of productivity if you have more unskilled people working. Sometimes this argument is used, particularly with regard to France and Germany. That is not a very sound argument because if you compare the UK with France, for example, you discover that while it is true that France has a lower employment rate than the UK, it applies more or less equally across all skills. French people with degrees have a lower employment rate than UK people with degrees. French intermediate skilled people have a lower employment rate and French unskilled people have a lower employment rate, so when you look at it, it is not true that in these countries relative to the UK those who would work are basically unskilled; that would not be accurate. It is also true, taking countries like Switzerland and the Netherlands which have as high, if not higher, employment rates than the UK, it is also the case there that they would have higher productivity.

**Q6 Lord Turner of Ecchinswell:** That is a point I was going to ask you about even if you had not moved on to it. Do you think there is nothing to that argument about the tail of employment at all? It strikes me that there is still *prima facie* sectoral support for that argument. Looking at retailing, we know that one of the striking features is that, for instance, French retailing shows up as having much higher productivity than UK retailing, and yet it is not clear that this is at all necessarily a good thing because it is reflected by the fact that in a lot of French retailing there is just a lower quality of service in terms of the queue length and in terms of whether you get a bag packer or not. A lot of people have put that down to the fact that a French retailer operating in an environment where once you have hired a person it is very difficult to get rid of them, and you have a somewhat higher minimum wage,

will simply not employ those marginal relatively low-skilled people and therefore you get a sort of artefact of a higher productivity rate. Would you put any truth in that? I have been somewhat more sympathetic than you are to that argument on some previous occasions.

*Professor Nickell:* Your example of retailing may be correct. I gather it is the case that French branches of Toys-R-Us actually employ 30 per cent fewer people than American branches of Toys-R-Us for the same size of branch for exactly the reasons you suggest. There may be some element of that but I suppose what I would say is this is not very important and to attach great weight to this as a reason for low levels of productivity in the UK would be a mistake. It is almost undoubtedly true that retailing in the United States has higher levels of productivity than retailing anywhere else, despite the fact that they employ lots of bag packers and so on.

**Q7 Lord Lamont of Lerwick:** Might one not argue that services have a lower productivity in general anyway and are much more difficult to measure and therefore the perceived gap and the move that you have identified may reflect a change in the composition of the British economy from having been comparable in terms of the ratio of manufacturing to GP to being lower than that of Germany—I am not sure about France now—because we have a much higher service element in the total economy?

*Professor Nickell:* Yes. One of the problems with services, as you rightly say, is that measuring productivity is extremely difficult. There are many counter examples in the sense that France has a relatively low level of manufacturing like the UK, yet they have these higher productivity levels. Of course the United States has a high level of productivity relative to the UK as well and they have a comparable level of service sector activity as in the UK, if not a bit higher. The issue of whether or not services are more or less productive is also a thorny question. Admittedly there is a serious measurement issue here, but if you look across the European picture you will not find much in the way of a relationship between the levels of manufacturing in a country and overall productivity levels.

**Q8 Lord MacLaurin of Knebworth:** In retailing you are not comparing like with like. The opening hours in this country as against other European countries is just not the same.

*Professor Nickell:* That is perfectly true. I have heard it said that in Germany since, as you rightly say, the shops are not open for very long; obviously when they are open they are completely full and there are queues everywhere and it is quite easy to have high

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productivity under such circumstances. Again, there may be some truth in that but evidence from across all sorts of different sectors shows that there is a higher level of productivity in Germany than there is in the UK, which is more fundamental than just these sorts of issues that are arising in situations like retailing.

**Q9 Lord Kingsdown:** How has the labour market demand for skills changed in the recent past, if at all, and what have been the main drivers of this change? Can you say?

*Professor Nickell:* The broad picture in the last 30 years—and even further back—is that there has been a continuing rise in the demand for skilled workers relative to unskilled workers. There is this basic fact that across the developed world we have this continuous shift in the labour market away from unskilled workers towards skilled workers. This is the first major factor. The detail of this is a little more complicated because if you look closely you will discover that the workers who historically have been at the bottom of the skill chain—personal service workers, people who work in bars and so on—demand for their services has risen, but the overall picture is as I have described it. Over the last 20 or so years there has been quite a lengthy debate on what are the underlying forces at work. There are two arguments: one is the so-called trade argument and the other is the technology argument. The trade argument is very simple: if you have a rise in productivity in the production of unskilled labour intensive manufactures—that is manufactures that are mainly produced with unskilled labour—if you have a rise in productivity in the developing world in this method of production, combine that with falling trade barriers and continuing increases in the supply of unskilled labour in the developing world as the workers leave agriculture and move into industry, just as they are doing in China continuously at present, under those circumstances what happens is that you get this continuing decline in the relative price of those traded goods which are intensive in unskilled labour. Classic examples are clothing, footwear and that sort of thing where the relative prices of these goods has been falling and falling, driven by these basic changes. What happens then is that that forces the demand for unskilled labour in the developed world down relative to the demand for skilled labour, so you have this situation where, because of these international effects—one way of thinking about it is the transfer of unskilled manufacturing jobs away from the developed world to the less developed world—this exerts downward pressure on the demand for unskilled labour in the developed world and the consequences of that are a fall in their relative wages and a fall in their employability so long as the supply of unskilled

labour does not fall at the same time at the same rate. In the developed world the supply of unskilled labour is also falling because more and more people are becoming skilled, so it is a race—the fall in the supply relative to the fall in demand—that determines the outcome. That is the trade story. If you look carefully you will discover that even in the most non-traded sectors you can think of, purely domestic production of services, even in those sectors it is still the case that the demand for unskilled workers is falling relative to the demand for skilled workers. That suggests that the trade story is not the whole story; there must be something else at work. The answer that people have come up with, and for which there is some evidence, is what one might think of as the technology story; that is to say, that the progress of modern technology tends, in general, to be biased against the unskilled and in favour of the skilled. This is not true in every conceivable respect. When confronted with this argument I always used to say in the old days that if you were in a café and someone presented you with a bill you had to press £1.74 and £2.38, but now you just press a thing which has a picture of baked beans and sausages on it, and this increase in technology would appear to be biased in favour of the unskilled. I have been assured by the evidence that this is an exception and that the general picture is one where the bias is in favour of the skilled and this again will lead to an increase in demand for skilled workers relative to the unskilled. The balance of the evidence suggests that the technology is still more important than the trade story but they do interact as well. For our purposes I do not think it matters that much. What matters is that we have this continual falling demand for unskilled labour and a continual rise in demand for skilled labour, broadly speaking, and this is the background against which we are operating.

**Q10 Lord Lamont of Lerwick:** Could you say something about migration/immigration and the impact on opportunities for young people and what the implications of that are and what skills are competing against what?

*Professor Nickell:* There are quite a lot of hypotheses and not a huge amount of evidence, although there is some evidence. There are various hypotheses which seem quite plausible. The fact is that at the present time, and in the recent past, UK employers across quite a wide range of industries—hotels, agriculture, food processing and so on—have been able to hire people from the rest of the EU, and more recently eastern Europe which is now in the EU, and also Australia, New Zealand, the Commonwealth Countries, and so on, and they have been hiring people from abroad in larger and larger numbers. In quite a lot of cases if you can get a bright intelligent eastern European who is pretty well educated to do your unskilled work for you, they will actually do it

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better than a completely unskilled UK worker and therefore the story would go that this must have had a detrimental impact on the low skilled labour market in the UK. The evidence—and there is a lot of evidence—not only from the UK, but from big migrations in the United States, evidence about what happened in Florida after all the migrants came in from Cuba, evidence from other areas in the United States that have been great receivers of immigrants from Mexico and so on, evidence that we have in the UK as well, all this evidence suggests that the overall impact on the unskilled labour market is not as big as you might imagine and that it has not had a huge impact on the other domestic labour market. It must have had a big impact in certain regions and in certain sectors. It is almost undoubtedly the case that it will have had some detrimental impact on unskilled young people in the UK—not just on young people but older people as well—it must have done, but all the evidence suggests that the impact is not that great. I do not know how much weight to put on this evidence. I would attach some weight to that evidence. I think the outcome would be to say it has had *some* negative impact on the low skilled labour market in the UK. How big we really do not know.

**Q11 *Lord Vallance of Tummel:*** Are there particular problems concerning productivity and employment levels amongst the unskilled young in the UK by comparison with the rest of the employees within the UK? To what extent do you think earnings among some young people are limited by a lack of appropriate skills?

*Professor Nickell:* I do not see a particular problem concerning the unskilled young as opposed to the unskilled. The story is, whatever the age group, if you have low skills you have low productivity; if you have low productivity you will face low demand for your services and relatively low pay, so you have less incentive to engage in the labour market, you have a high unemployment rate, high inactivity rates and that applies to all age groups. You could say it is very important for the young because what happens when you are young is important for what happens later. That is perfectly true, but if you want to intervene in this situation the young are the best place to start, partly because it is arguable that it is easier to impart skills to young people than it is to impart skills to older people. Leaving that aside, a lack of skills is a lack of skills and whether you are young or old, people who lack skills have a bad time in almost every aspect of their lives.

**Q12 *Lord Vallance of Tummel:*** There is nothing really specific about young unskilled?

*Professor Nickell:* Other than what I have mentioned.

**Q13 *Lord Vallance of Tummel:*** There is a longer period.

*Professor Nickell:* Yes, and also what happens when you are young to some extent determines what happens for the rest of your life.

**Q14 *Lord Vallance of Tummel:*** This is also true about earnings. There is nothing specific there.

**Q15 *Professor Nickell:*** No. The information we have on earnings rates for young unskilled people are somewhat corrupted because in the unskilled labour market for the young there are lots of people who are fundamentally not unskilled—students and so on—who in five or 10 years' time will have left that labour market completely but they are in there now and in some sense they muddy the waters. Basically employment rates and earnings for young people without qualifications are lower than employment rates and earnings of everybody else.

**Q16 *Lord Vallance of Tummel:*** It would be fair to say that, irrespective of the skills of the working population as a whole, there will always be jobs which are insecure or part-time for which there will be low pay?

*Professor Nickell:* I would rather say that jobs which are low skill are the ones which tend to be low paid. Some part-timers are quite well paid.

**Q17 *Lord Vallance of Tummel:*** But even if everybody was an honours graduate there would still be jobs of this kind.

*Professor Nickell:* That is a very interesting issue which often comes up. Suppose you train everybody, who sweeps the streets? The answer is, of course, that the streets are swept by a machine. There is some force in that argument but you should remember that the distribution of jobs is not independent of the distribution of people that are around to do the jobs; in other words, if there are more unskilled people there will be more unskilled jobs.

**Q18 *Lord Vallance of Tummel:*** At the margins.

*Professor Nickell:* In total, there will be a lot more unskilled jobs if there are lot more unskilled people. That is the outcome of the market operating. In fact, if you have very high levels of skill, then you will get more substitution of capital for unskilled labour at the lower end and the number of unskilled jobs will adjust, but quite how far this process would go I do not know.

**Q19 *Lord Turner of Ecchinswell:*** Given this difference in the productivity and the skill level between us and other countries, what would be your explanations for why that is the case? Presumably the why has to fall into two alternative categories, one of

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which might be about the bit of skills which derives from the publicly-financed public good of education and the efficiency of that system, or the other explanation would have to be about the incentives and behaviours of individuals and firms when they pursue or provide training opportunities beyond the purview of the publicly-financed public good of education. It seems to me it is *prima facie* evidence that some of the incentives are very odd. We have observably a significant shortage of small trade constructions skills—electricians and plumbers—we are drawing in labour to do that, very good labour from eastern Europe, and it is very odd. These are not low paid jobs at all; they are often extremely highly paid jobs, yet something is going on where the indigenous non-migrant population does not choose in large numbers to train for those. My first question is what is the explanation? Is it something odd about incentives of firms or individuals, or is it something back in the education system?

*Professor Nickell:* Is it not everything? This business about the construction sector, this is not a new story. The construction sector and shortages of electricians and plumbers is an old, old story which was around long before Polish plumbers ever appeared on the horizon, although I gather there are now large numbers of plumbers being trained in the UK and that your children should now be advised not to take up plumbing as a career, although an electrician is still okay. What are the fundamental causes? Let us start at the beginning. For some reason or another, at least according to the evidence we have from international surveys, particularly the International Adult Literacy Survey, in the UK we have a larger group of people who are extremely ill-equipped for the labour market than in most countries. The International Adult Literacy Survey tells us that 22 per cent of people of working age in the UK are at level 1, which means that they have great difficulty understanding even the simplest concepts of addition and subtraction. They are numerically illiterate and the vast majority of this group would also be close to illiteracy in the more standard sense; but this is a very large group in the same survey, compared with a country like the Netherlands, where the size of this group would be less than half the size it is in the UK. That is fact number one. There is some hope. This is a survey of the entire labour force, everybody from 15 to 65. By and large, this was consistent with the international surveys of schoolchildren which they had undertaken from time to time where we for a long period have had a large group of very, very low-achieving workers, although the recent PISA surveys seem to suggest that Britain is improving there, although some people argue that that survey is not very reliable. That is not really relevant for our purposes because the population as a whole is the result of education over the last 40 years. That is fact

number one. We have a larger than average group of very low level, low skilled individuals. Even at level 2, which in this international survey is not very high, we also have a large number there. The bottom 40–50 per cent of the ability range in the UK are less literate and numerate than in most European countries; that is a fact. What are the consequences of that for the training system and how everything works? Another thing shown by these surveys is that the top 30 per cent in terms of these tests, in terms of almost everything else, are not very different in all the countries. It is what happens below that level that is important. My guess is that for one reason or another the problem lies in the middle part. In some sense it is the middle group from the 30th percentile to the 70th percentile. They have to organise the rest. In a direct sense they are the technicians, they are the people who makes things work basically. It seems to be the case in the UK that we are not as good at providing appropriate skills for this group as in many other countries, particularly northern European countries, but also one might add the United States as well. They seem to be quite good with two year colleges, quite good at providing skills for those in this particular group. I would say that that is the key. You say, why do the firms not just do it? The only really persuasive argument is that it is very hard just to do it because it is hard for an individual firm to take a complete grip on training. If the training is quite specific to their firm that is fine, they have to do all that, but imparting construction skills, bricklaying skills and so on, the poaching problem would be quite severe; that is to say, if you spend a lot of money training bricklayers, bricklayers are valuable in the construction sector and so these bricklayers, having been trained at your expense, can go and work for other construction companies.

**Q20 Lord Lamont of Lerwick:** Do you see a role for any sort of collective solution to these issues? Leaving aside the education system, we have moved from a world in which there were apprenticeships and industry-wide schemes, and now we have moved to the onus being on individual firms and yet the pressure of the market has not really produced the answers. What is it you think ought to be done beyond the education system?

*Professor Nickell:* I think the answer has to be that there has to be a good mechanism for people moving between school and work to deal with the large numbers who are not going to go on to higher education; in other words, the whole of the area. I think there has to be some top-down pressure. Some kind of serious professional apprenticeship system has to be in operation, pressure on firms to provide what one might call apprenticeship contracts where, on the one hand, the firm has to provide the training in a serious way, and on the other hand, in return the

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pay for the individuals undertaking the training cannot be too high. What tends to happen is that you get a situation where a firm taking on an apprentice agrees to some sort of training but then there are pay pressures and competitive pressures. The firms' incentives are always to get their person to be a productive member of the workforce as fast as possible. We do have a modern apprenticeship system at the moment but these kinds of pressures discourage completion. They discourage day release aspects because the firms want these people to work, partly because they are paying them quite well. That ends up in the longer term with people who are not that well-equipped.

**Q21 Lord Kingsdown:** You said just now there is great pressure on firms to make these young people become productive members of the organisation. Is that not exactly what one wants them to become? Is this not the same thing as training them or qualifying them?

*Professor Nickell:* When I say "productive", what I mean is doing *some* work. It is true that the firms want them to actually produce some work, but what I was trying to imply was that this would be to the detriment of their training. The fact is that if you are training someone seriously they are not going to be working for you; in other words, they are not going to be as productive as they would be if you wanted them to just be contributing at that point to the firm's bottom line. Notionally that is why on a contractual basis the firm will provide X much training in ABC form and in return for that they do not have to pay the worker very much, but the worker has this contract so that the young person knows that at the end they are going to have something of value and that they would therefore be prepared to forego earnings to get something of value. What happens at the moment is that this desirable outcome is not achieved, partly because the completion of the apprenticeship is not of great value and therefore in some sense it is better to get motoring and not complete and in the short term earn some money. The firms would collude in that because that helps their bottom line.

**Q22 Lord Layard:** The money that we are giving is something like £3,000 a year to the apprenticeship programme so it is not going to the employer, which of course would make a big difference to the employer's interest in the matter. You mentioned other countries. Obviously some are more successful in getting young people into skilled occupations than others. Can you comment on what are the characteristics of the countries which are more successful in effecting the transition than others and what are the implications in the UK?

*Professor Nickell:* We do know a lot about how successful transitions are between full time education and work. There are huge variations in the sense that there are some countries, like Italy for example, where a huge proportion of young people are not doing any work. This is true in Italy even of people with degrees. That is partly because the entry system into the Italian labour market is governed by queuing and patronage which is not conducive to much work being done, at least in the shorter term. If you want to look at successful countries—countries where the vast majority of people who leave full time education are within a year in work doing something useful—in those countries there are various things which are important. One is the thing I have already mentioned before, which is school leavers have high levels of literacy and numeracy; in other words, school leavers are well-educated. We are talking about people outside the higher education system. The labour market in the country works well in general; that is to say, that obviously things work better in countries where the labour market is more buoyant and where unemployment is not too high. A background level of buoyancy is always helpful, not surprisingly. Another important thing is that countries, as most of them do, where they have minimum wage systems or things of that nature, the countries that do better always have exceptions to these systems for young people; that is very important. Finally, the actual numbers bring this out very clearly, that countries which have so-called dual systems work better. A dual system is just a system where they have a national apprenticeship scheme where basically this is the way into skilled work. The essence of the schemes is that they are national, there is a contractual relationship between employers and workers, the training is of high quality and there is a national system of standards which are imposed at a national level, like a driving test. You get to a certain level and then you get a stamp saying this level is a nationally graded achievement. One of the great features of this system, which is commonplace in Austria, Denmark, Germany, Switzerland, but is also now being introduced in Norway and indeed in Australia, is that getting into it is still thought of by most young people who are not going on to higher education as desirable and that it is worth working at school in order to ensure that you get into this system. It provides a valuable incentive to schoolchildren. Introducing such a system is not easy which is why I mention countries like Norway and Australia which are going some way in instituting such a system from scratch because the countries I previously mentioned, like Austria and Switzerland, have had this system for a very long time. The question is how to construct such a system. There seems to be no question that countries which have this kind of apprenticeship system are ones which

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best manage the transition from education to the labour market.

**Q23 Lord Turner of Ecchinswell:** Can I ask for a point of clarification on exactly what you are saying? I think you are saying that quality of training and skills has a sort of externality effect which a completely free market of firms and labour will not get into. The individual firm will not have the incentives to train because it fails, on its own, to capture all the economic benefit of that, some of which spins out elsewhere. The question is, whether that would then justify some category of intervention such as a national scheme?

*Professor Nickell:* Yes.

**Q24 Lord Turner of Ecchinswell:** What does that intervention have to require? You can have an intervention which is almost achieved by culture and status—people simply want to go into these schemes because they have always been there and we do not need a regulation—but if we were to go down that route in the UK, could you imagine getting there by trying to shift the assumptions and the status, or does it require a radical intervention which is to start saying in order to be a bricklayer you have to have

gone through this apprenticeship scheme? What practically would you do to deal with this externality effect?

*Professor Nickell:* I think you have to build on what you have got. The notion that we are going to sweep everything we have away and start again is just fanciful. You have to start with the modern apprenticeship scheme which, after all, is more or less constructed from scratch out of the collapse of the old apprenticeship systems and you have to build on that. Of course there is the chicken and egg problem. Ultimately what you want is a system where a bricklayer who has come through this scheme carries this very valuable certificate and any employer just says: “I have got to have a bricklayer coming through this scheme because I know they are going to be the best.” Getting there from here is not straightforward but, in my opinion, this is the only way of doing it. I do not see any alternatives. You have to build on that and try and take the modern apprenticeship scheme and push it in this kind of direction. I think that is the only practical proposition.

**Chairman:** Thank you very much, Professor Nickell, for coming and answering our questions today and giving us an insight into the kind of work that you have been doing. It is going to be very valuable when we come to writing our report.

### Examination of Witness

Witness: DR ANNA VIGNOLES examined.

**Q25 Chairman:** Welcome to the Committee, Dr Vignoles. We are very pleased to have you before us. Before we start, do you have any introductory comments at all?

*Dr Vignoles:* I would like to reiterate the evidence that you have just heard about the importance of progression from level 2 to level 3 and that is the theme that I will return to in response to the questions you might ask.

**Q26 Chairman:** The first question that I would put before you is about these young people between 16 and 17 in full time employment. That is at the very beginning of a career where they are not sure what they are going to do. What sort of jobs do they actually come into and what effect does that have on their future working life?

*Dr Vignoles:* It is a myth that the young people in full time employment aged 16 to 17 are entirely made up of the very low achievers. There are what we would describe as moderate achievers in that group who are not doing great at GCSE but might be achieving a few poor grades at GCSE. They would have the option to stay on in full time education and are choosing not to. I wanted to make that clear because I think that is important when you think about what kind of jobs they go

into. By and large, the full time employment group go into jobs that are casual, temporary and low-skilled. The labour market is characterised by a fair amount of churning between being out of employment and education—NEET (Not in Education, Employment or Training)—and into employment. You asked a question of Professor Stephen Nickell about whether it mattered for a young person to be unskilled as opposed to just being unskilled as an adult. I think potentially the social consequences of being inactive as a younger person may be quite severe. There is evidence of teenage pregnancy, of crime, lots of social consequences from inactivity or disengagement from the labour market. We might be particularly worried about the group that is either long term out of the labour market or churning between very poor quality jobs and employment. In the longer run, this group has poor labour market prospects as compared to more qualified young people, that is people who leave school later with a higher level of qualification. In particular, the group that leaves with no qualifications at all has a real problem with attachment to the labour market, so the employment rates of the completely unskilled, as in individuals with no qualifications, are very low, around 50 per cent.

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**Q27 Chairman:** This present discussion about raising the school leaving age to 18 or having various schemes that they do before 18 but not able to be in full time work before 18—what are your views on that?

*Dr Vignoles:* I have great sympathy with the view that we need to remove or modify the stepping off point that GCSE's provide. In this country GCSE's are seen as an endpoint by many young people. It is a clear marker in their school trajectory and failure at that point, or even moderately poor achievement at that point, tends to send the young person out of the education and training system in a way that, for example, a high school system which did not have a marker at 16 does not. On the other hand, requiring young people to stay in school until the age of 18 would be very problematic for the group that became disengaged at the age of 16, and I do not see a legislative change of that nature as being the solution, but I would agree that abolishing GCSE's might well be part of the solution.

**Q28 Lord MacLaurin of Knebworth:** At any one time there is a relatively small group of young people who are not in education, employment or training. How, in your view, will the present arrangements assist this group to move into education, employment or training?

*Dr Vignoles:* This group is small, but if you are unqualified your chances of being in this group are quite high—around a third of young people at the age of 16 if they are unqualified end up in this group, so it is a very important group. The corollary of the full time employment group moving in and out of unemployment is obviously that people move in and out of the NEET group, so it is quite a diverse and fluctuating group. Again, it is not just low achievers. The most important point that I would like to make is that a significant proportion of kids again with moderate success at GCSE drop out of the full time education and training system at 16 and end up NEET, if not for a long period of time, at least for significant chunks of time between the ages of 16 and 19. It is that group that is an obvious target for policy intervention. At the moment it is not entirely clear, beyond poor achievement, what is causing them to drop out and not re-engage with education and training. In my view, the problems with a lack of information, and a confusing array of choices that they have to make at 16, is part of the problem. Information deficiencies are definitely an issue. In terms of government initiatives to get people back into employment, which is obviously the route for a large proportion of the group, most of those are targeted on the long term unemployed, so you again have this problem of moderate achievers churning between full time employed jobs that are casual or

low-skilled and being NEET, moving back and forth. For that group the system does not really help them into long term, secure employment with significant prospects.

**Q29 Lord MacLaurin of Knebworth:** Is it a growing problem in your view?

*Dr Vignoles:* The NEET group has increased. I noticed that it had blipped up over the ten per cent mark recently, so that is obviously something that we would need to watch, but in fairness the size of the group has been fairly stable for quite a long period of time and it depends on your view as to whether one in ten is a small or a large group that we might be concerned about. The important point is that most young people do not spend all their time in NEET—they are moving in and out—so it is not as though they are getting no labour market experience at all, but it is of a poor quality.

**Q30 Lord Kingsdown:** Would you be able to tell us something about the careers guidance and advice available to young people not on A-level courses and about the qualifications and opportunities available to them? May I add a supplement to that? We talk fairly freely about unskilled jobs and skilled jobs. Is there really such a valid contrast between the two? Does not an unskilled job help you to a skilled job? Is it not an even progression as opposed to a categorical one?

*Dr Vignoles:* I will start with the supplementary question. Obviously you are right, unskilled versus skilled is a crude dichotomy and in fact the very people that we might be most focused on are sitting in the mid range of jobs that might be relatively low-skilled but lead into some sort of progression, but the description of the labour market I gave for young people who are completely unqualified was very much about jobs that do not have that progression. They are most unlikely to be receiving any training at all; they are in jobs without training. When you ask young people about training they are not aware of their entitlement to level 2 training when they are sitting in these jobs and they also report that employers would be extremely reluctant to release them for training to level 2. That is confirmed by evidence from employers that they do not see the value of releasing these kinds of young people, who they view as being quite temporary in terms of their attachment to the firm. They do not see the value of training them up. I think it is a real issue about an unskilled job being an unskilled job permanently, not simply a phase that you might go through before you progress; that is for a significant minority of the group we are talking about. Going back to your issue about careers guidance, there is no doubt that the vocational system is hugely more complex than the academic. There are basically

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three routes at aged 16 that a young person might follow—academic, vocational leading to National Vocational Qualifications levels 1 to 5—but also there is the vocationally-related route which is largely classroom-based but leading to skills and knowledge that are linked to a particular vocational area. I believe Lord Leitch counted more than 22,000 vocational qualifications or some such number. To a young person this is a very, very confusing system. The other problem that we have is that the kids who are most likely to be going down the vocationally-related route on average are more likely to be from lower socio-economic group backgrounds. These parents are least likely to be able to help their children navigate through what is quite a complex system. It is the double whammy that these children are more likely to need vocational educational training, or want to choose the vocational route that might be the best option for them, but then their main source of advice, which is the parents, may not be able to assist them in that. In terms of publicly available information, there is the Connexions service, which is the mainstay of careers guidance, and there is lots of evidence that this is basically targeted on schools in disadvantaged areas, schools without sixth forms and low achieving children, so if you are a moderate achieving child in an area that is not particularly poor, you then have very minimal contact and very little in the way of guidance, and yet that is again the group that is most likely to benefit from advice on careers and courses that they might take at 16. So I see that as a major problem and it is part of the explanation as to why we see moderate achieving children nonetheless dropping out at 16.

**Q31 Lord Vallance of Tummel:** What in practice are the economic benefits to young people who are engaging in training and getting vocational qualifications? Is there a clear case that can be put to them, “Do this and such-and-such benefits will then flow”?

*Dr Vignoles:* It depends which bit of evidence you want to look at. In general the labour market value of education is still high, so despite the fact we have expanded the system, the returns per year of schooling are very high, 10 to 15 per cent, higher than in other competitor countries, suggesting that demand has at least kept pace with or exceeded supply. Of course, then you get to the big question, which is, what is the value of vocational versus academic? Generally academic qualifications and more traditional qualifications give a good return, a good wage benefit in the labour market. For example, if you take an HNC or an HND you get approximately the same return per year of study as compared to A levels, and that is fine, so yes, that should be an incentive for young people to follow

that route. But the problem is that the newer qualifications are not quite as positive when it comes to their impact on earnings. In particular NVQ1 and NVQ2, which in the past were seen to be very important for lower achieving children or young people, have no impact on wages at all. They do have an impact on employment. They have an impact on employment for women returning to the labour market, so it is not to say they have no purpose. But in terms of their impact on earnings, it is unequivocally zero and that obviously raises the question that it is rational for individuals not to want to invest in them and it is also rational for firms not to want to release their employees to get trained up to a level two qualification that they do not value; hence my comment at the beginning about the need to think about progression to level three. That is the headline on vocational. The only other thing I would like to add is that where these new vocational qualifications are given through an apprenticeship they do seem to have labour market value, and in particular if you can get to level three through an apprenticeship you earn a very sizeable wage gain from that. So I guess it is not true that these qualifications have no worth, but how they are delivered and whether they are part of a coherent package of training makes a big difference. The level matters as well. The emphasis on level two in recent years in terms of the expansion, or for example, of apprenticeships at level two rather than at level three might be a bit concerning because the main wage gain comes from getting people up to level three. In terms of the value of training more generally, it is very high. All the studies and the evidence that I have looked at suggest that even relatively short spells of firm-provided training give a good wage return but I would hesitate to say that that means that if you have a universal and compulsory system you would expect to see that kind of impact on everybody’s wages. There is lots of evidence that firms select who they train; they train more productive, more qualified, more ambitious workers, et cetera, so it is hard to say that if you rolled out what firms currently deliver in the form of training to everybody you would get a big wage gain.

**Q32 Lord Vallance of Tummel:** Just coming back to vocational training, I think what we were suggesting was that if you are going to give advice to a young person to get in via the NVQ route they should stick at it until they get to level three?

*Dr Vignoles:* Yes, absolutely. That is also something to think very carefully about because it is the lowest achievers that are going into that group and that progression is pretty critical; otherwise you are selling them a level one window which is meaningless or an incomplete level two. Both of

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those things are very bad, but even a completed level two does not seem to be doing much for them in the labour market and I would imagine that most young people can appreciate this, which probably explains why they are not flocking to take them.

**Q33 Lord Turner of Ecchinswell:** Implicit in some of the questions and your replies is that there are several possible categories of problem and I wonder whether you could comment on whether your research or other people's research gives us any guidance on which is the most important? Let me suggest three categories, one of which is poor prior provision for skills and achievement, ie, we have a 16-year old who, even if faced with a well designed training programme which would give a good return, is not skilled up by the schooling system to be able to take that opportunity. The second is something to do with incentives and information. There is one of these people whom you have referred to who actually has several quite good GCSEs, they are a perfectly adequate performer, there exists a set of training opportunities which are perfectly reasonable and would give a reasonable set of returns but they do not know about them or they have a very high implicit discount rate. They would rather rush out and make some money now. Even 10 or 15 per cent is not good enough to attract them in; there is some failure of incentives, and the third category is the wrong provision or poor provision, ie, there just are not enough good training programmes made available to them so that going straight into the workforce is for some people a perfectly natural thing to do because the training programmes that are available for them are not very well designed and are not very good. How would you push government policy between those three different categories or would you say that we have to make progress on all three of them?

*Dr Vignoles:* We probably have to make progress on all three, but I think poor skills are critical. We have an extraordinarily high wage premium attached to what is quite low level literacy and numeracy, high compared to other countries, so this is sending a signal that even basic levels of literacy and numeracy are in quite short supply in our labour market, so that is obviously of concern. We allow or enable our children to go through the education system and progression from year to year is not conditional on success in any way, so you will make the transition to secondary school regardless of your achievement at the end of primary, and again that is quite unusual compared to many other European countries where you find people taking the same year again because they have not mastered the material. Yes, I think continuing to work on the schools system would be essential whatever you decided to do on vocational training. In terms of the

incentives and information, yes, I think we have to fix the information problem. Young people do have a relatively high discount rate. The education and maintenance allowance system of paying youngsters to stay on school has definitely, in what the evaluation suggested, had a fairly significant increase in participation if you are paying children as little as £30 a week, so yes, I think there might be something in that story. But I notice that the impact of the EMA on actual achievement was pretty minimal, or at least they cannot find a large effect, so that might go back to saying, well, actually, it is not enough to just fix a credit constraint problem; you have got to have the building blocks in place and that means going back to fixing the schools system. In terms of poor provision, yes, if a young person discounts the classroom-based route, so not academic and not vocation-related, they are in my view consigning themselves to a provision that is obviously not working for the labour market; at the lower levels it simply is not, and I would imagine that it is going to be difficult to convince firms to invest serious amounts of resource into training their employees unless the provision that they are investing in is of value to them, and I understand that the system of aligning our vocational offer with the needs of firms is very complex, the ability for firms to participate in that process is quite convoluted and so there is no reason perhaps to think that what we have ended up with really does reflect the needs of firms, so that needs to be looked at.

**Q34 Chairman:** There seems to be a shortage of employers willing to take on apprenticeships. What do you think the reason for that is?

*Dr Vignoles:* I think there are a number of reasons. I think it was alluded to earlier that the completion rate on apprenticeships is relatively low, around about the 50 per cent mark, so there is a risk associated with the investment that the firm is making. If you combine that with the problems of poaching, that might be a significant explanation as to why firms are not flocking to offer apprenticeships. Managerial capacity is another issue and the evidence at the moment seems to suggest that the UK is behind a lot of its major competitors in terms of managerial capacity and one would imagine that for the firm to get the true benefit of an apprenticeship scheme that is quite an investment in managerial time. As I have already said, the fact that the qualifications that apprenticeships work towards may not be particularly highly valued by employers seems to me a fairly fundamental problem if you are trying to encourage employers to invest in more apprenticeships. There is anecdotal employer survey evidence that they find the process costly and

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bureaucratic, that setting up an apprenticeship is quite difficult, and the final point I would make is that if a third of firms do no training whatsoever it is most unlikely that these firms would be convinced of doing what is quite a major training undertaking in terms of an apprenticeship. They are not doing any training at all, so it would seem a big step, so you have already written off about a third of firms that would not be involved.

**Q35 Chairman:** Is there anything the Government can do about it?

*Dr Vignoles:* Obviously, you can look at the bureaucratic process and think about how easy it is for firms to set up apprenticeships. Understanding why we have ended up with vocational qualifications that do not meet the needs of employers would be the first step, and greater employer involvement in the design of vocational qualifications but always mindful that one of the problems we have in the vocational system is that we have this plethora of vocational qualifications and employers and employees do not understand what is on offer and the changes have been so rapid—every year they get renamed and relabelled and reinvented—and I guess any reform that you do has to bear that in mind.

**Q36 Lord MacLaurin of Knebworth:** Can we learn anything from other countries and the attitudes of companies in other countries or even any role models we have here, where you could say Unilever are particularly good, or whatever?

*Dr Vignoles:* Specifics in terms of the firms I would not be able to comment on; it is not particularly my area of expertise, but in terms of comparisons with other countries we know that in other countries they train higher proportions of their workforces for longer, so there is already a culture where training is more normal. Combine that with the high esteem that the formal apprenticeship systems are held in in some countries, explains why firms are more willing to offer apprenticeships there than they are here. Understanding the specifics of, say, differences between sectors I could not comment on, but I know, for example, that the completion rate varies hugely by sector, so again it seems to suggest that some sectors are doing well and some sectors not, and that is perhaps a lesson to be learned there.

**Chairman:** Thank you very much for coming along and answering our questions today. We will be producing our report in due course and will take fully into our account the evidence you have given to this Committee.

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TUESDAY 23 JANUARY 2007

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Present	Kingsdown, L Lawson of Blaby, L Layard, L Macdonald of Tradeston, L Oakeshott of Seagrove Bay, L	Paul, L Sheldon, L Vallance of Tummel, L Wakeham, L (Chairman)
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**Examination of Witness**

Witness: PROFESSOR JOHN MARTIN, Director for Employment, Labour & Social Affairs, OECD, examined.

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**Q37 Chairman:** Good afternoon. You are extremely welcome to come and give us your views on these matters. We are relatively early in our inquiry into this question and your expertise will be very valuable for us. I am always bidden to say to witnesses when they come, first, please speak slowly and clearly so we can get an accurate account of all the valuable things you are going to tell us and, secondly, to ask you whether you want to make any introductory remarks before we get on to the questions.

*Professor Martin:* Thank you very much for inviting me here. It is a great pleasure for me to be here and to give some testimony before you. I do not think that I would like to make any opening remarks except perhaps to say that the paper that I sent in earlier if you have some time to read it, gives a rather good overview of the state of play on the youth labour market in OECD countries with a particular focus on the past decade or so.<sup>1</sup> I would hope it would prove useful background reading for this inquiry. With that I would simply stop and be delighted to try to answer as best I can any questions that you might wish to put to me.

**Q38 Chairman:** I am sure you will be able to do that. If I may start, then, what, in your view, are the main reasons for the productivity gap between the UK and other leading OECD economies?

*Professor Martin:* This question is one that has preoccupied lots of economists and continues to be a subject of great debate. There is a little bit, shall we say, of a puzzle as to why the medium-term productivity record of the UK economy has not really improved over the past 10 or 15 years, despite the fact that other aspects of economic performance have improved. The UK's medium-term productivity growth rate has not really improved either over time or with reference to competing countries. Now, at the OECD we have looked at this question broadly and I would say that our diagnosis for the UK as to why the productivity record is not better than it currently is would emphasise at least

three important determinates, one of which is extremely relevant to the subject of the inquiry. First is, of course, the relatively poor skills record of the UK over a consistently long period. There is, in the UK, a very large proportion of the adult population that has relatively poor skills in comparison with other countries. That I think is one factor. Second, more recent OECD research would suggest that the innovation performance of the UK economy is not as good as a number of its leading competitors, and I think that one could argue, and indeed there is some evidence to back it up, that there is a strong link between the rather poor level of skills and innovation performance. Innovation needs skilled workers, not just skilled scientists and engineers but also skilled workers, particularly with mid-level or intermediate-level skills, and I think that is an area where the UK record is somewhat disappointing. The third determinant we have emphasised is public infrastructure investment, with a particular emphasis in some recent studies we have done on the poor record in the transport sector. Indeed, having recently experienced a voyage or two on the UK transport sector I have to say that it still lags somewhat behind its French counterpart in a number of areas! The transport section appears to be an area which has some negative spillover effects for economic efficiency in the rest of the economy. Broadly speaking, therefore, these are the sorts of factors which we would highlight, and indeed which were highlighted in the most recent OECD economic survey of the UK economy.<sup>2</sup>

**Chairman:** Perhaps I will not ask this question but your answer provokes me to say that you have given three very pertinent reasons regarding UK productivity. The next question ought to be the same but asking why our skill levels are what they are, or our innovation levels or our public investment levels, because that is a breakdown of the same question in another form, but perhaps I had better pass it on to Lord Sheldon.

**Q39 Lord Sheldon:** What has happened to skills in other OECD countries if they have changed in recent years, and what have been the main kinds of

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<sup>1</sup> *Note by Witness:* Glenda Quintini and Sébastien Martin (2006), "Starting Well or Losing their Way? The Position of Youth in the Labour Market in OECD Countries", OECD Social, Employment and Migration Working Papers No 39, December.

<sup>2</sup> *Note by Witness:* OECD (2005), Economic Survey of the United Kingdom, November, Paris.

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changes that have occurred in skills levels in recent years?

*Professor Martin:* If you look across the OECD countries, the first clear fact that emerges is that there has been a significant increase in upper secondary graduation rates, so it is quite common now to have 80–90 per cent or more of young people in many countries completing upper secondary education successfully. There has also been a significant increase in the proportion of young people proceeding on to tertiary education, whether to universities or other institutions of tertiary education, and indeed staying on and completing and getting diplomas, so the proportion of the population that has a tertiary qualification has increased everywhere, including in the UK. So the average level of skills, of new cohorts of young people entering the workforce, has certainly increased in all countries. Where there remains a significant problem is, of course, with the effect from the past. You have a large proportion of people who are still active in the workforce aged, let us say, my age or a little bit younger, who left compulsory schooling maybe 20–25 or 30 years ago with either very poor skills or maybe sometimes even with an upper secondary qualification who in some countries have had relatively poor opportunities to upgrade those skills, but it varies very much across countries. Some countries are consistently more successful in increasing the volume of skills and skill enhancement of people aged 25 to 45, because that is the key period in which much of the post-schooling or post-tertiary-level investment in skill upgrading takes place. After the age of 45, in all countries, the amount of investment in skill-upgrading declines quite significantly, especially after the age of 50.

**Q40 Lord Sheldon:** But given the high employment levels that we have for young people, does this not deter them from perhaps taking on a longer period of training or education, because there are so many opportunities to get employment at an early stage by comparison with other countries?

*Professor Martin:* Well, it is true that the UK, like a number of other OECD countries, has many young people who combine schooling and work. Indeed, there is some evidence to suggest that if this is not done to an excessive extent, that is that the young people do not work too long hours or do not spend too much time in work, a combination of schooling with some work experience tends to be more beneficial in terms of future employment prospects, but you have to be sure that these young people do not work too much. There is a tendency with high employment and attractive wage offers for them to discount the future benefits of education and possibly training and concentrate on work, and that

appears to be a more serious problem for younger people who have perhaps not done as well in school or who have a more difficult record in the schooling system. Here I think it is important that many other OECD countries do try to keep people in school up to at least the age of 18, or at least offer them alternatives whereby from the age of 15 on they can combine some classroom experience with work experience, either in the form of exclusive apprenticeship systems or in the form of part-time vocational training combined with some schooling. The evidence, I think, is unambiguous—that if you have an effective apprenticeship or vocational education and training system, it will prepare young people better for the world of work. There is no doubt, I think, that the studies that we have undertaken covering many European countries, the US, Canada and Australia, and using longitudinal data, that is data which follows the young people from the time they leave school until they are five or six years in the workforce, show that these kinds of structured work and education experiences do serve to get young people more effectively into employment and ensure that they have a smoother transition into the opening part of their career.

**Q41 Lord Layard:** I wonder if we could pursue that a bit. There is a view at the extreme end of one spectrum that general education is the key thing, literacy, numeracy, et cetera, and there is another view at the opposite end of the spectrum that really the vocational component is what is critical, and of course to get to it you have to have a certain amount of literacy, numeracy, but it adds a lot. How would you comment on that debate in terms of the impact on the earnings and the employment of the individual? We are talking about, as it were, the non-graduate population. What can we say about how important the vocational end piece is as compared with where they were before that?

*Professor Martin:* It is difficult to make very precise generalities here because one is looking at both different experiences, different types of vocational training and experiences, compared to general education, but the evidence as I would read it suggests that, if you have good-quality vocational education and training systems that have a clear relationship with the workplace and a clear commitment by the employer to it, there are clear economic returns to this kind of system, both to the individuals and probably also to society more generally. For many young people that does appear to be quite a realistic investment on their part to help them have a better career in the future. Now, you can do it badly, and there are many examples of countries which have done badly in terms of vocational education and training systems, and here the evidence shows that they are not very effective.

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If you have systems that tend to encourage young people to spend too much time in the classroom, they tend to mimic general education but in a rather inferior way, with rather low-quality teaching and little links to the labour market, and then the answer is that the returns from that kind of education and training are probably very low, if not zero. So you do need to have that link to what is going on in the labour market and to do that I think you have to have a strong workplace-based element in your vocational education/training/apprenticeship programme.

**Q42 Lord Lawson of Blaby:** May I probe that question a little bit further? You mentioned the OECD report. The only one we have in front of us is by Glenda Quintini and Sébastien Martin—whom one assumes is no relation?

*Professor Martin:* No, he is not a relation.

**Q43 Lord Lawson of Blaby:** In any event, one of the most important things it says, if I may read it, is, first: "... there is agreement that, in order to improve youth job prospects, it is essential to combat school failure. In particular, early and sustained intervention can help prevent a vicious circle of cumulative disadvantages. Pre-school programmes—such as Head Start in the United States—play a key role in this respect", and that is page 9 of this OECD report. Would you not agree that this is absolutely fundamental?

*Professor Martin:* Yes, I would. I think the evidence, and indeed you will find this very nicely shown in a series of recent papers by the Nobel Prize winner Jim Heckman and various colleagues of his, suggests that it is very important to invest in the pre-schooling period, and in particular investment in early childhood, in supporting parents and good parenting can help particularly children from very disadvantaged backgrounds. It has benefits both in terms of improving the cognitive foundation for future learning but also because apparently, judging from the research that has been done, it can also help those non-cognitive dimensions which are also very important such as motivation, learning to learn, being able to operate in a social context with one's peers, et cetera. There is no doubt that investment in good-quality pre-schooling experiences with sustained emphasis not just on the children but also on the families is a very major investment for any society to make if you want to lay the foundations for good human capital formation and good citizens later on. But I would not go so far as to say that that is the only stage at which it is desirable to make investments and interventions, because you clearly do need to follow that up. I think the word that you mentioned there is "sustained", because the evidence shows that if

you just make an investment in the years up to let us say three or four, and do not follow up those investments later on, often the beneficial effects tend to drop off unless you sustain that, so I think it is important to keep that in mind.

**Lord Layard:** I was just wondering if you could send us what you think are the half dozen best pieces are that have reached you on these issues we have been discussing.

**Chairman:** That would be helpful. Lord Paul?

**Q44 Lord Paul:** Could you comment on the evidence from the experience of other countries in achieving a successful transition from low-skilled young people to skilled employment?

*Professor Martin:* Well, I think I have already mentioned very briefly there are several different—and I am going to be very schematic about this, if you will excuse me—country models which do seem to work quite successfully in different circumstances, one which I am sure you will be hearing more about is the well-known Dual system of apprenticeship that exists in Germany, Austria, Switzerland and Norway. This is certainly a system that all the evidence shows does succeed in getting the bulk of young people who do not go into tertiary education successfully into the labour market. We have published several studies which show this very clearly, and I would be very happy to give you references but some of them are already cited in the paper that Lord Lawson has mentioned. The second different model is the Japanese model which is one where you have very strong links between schools and employers, where in fact an enormous amount of the basic recruitment for young people who do not go into tertiary studies is, in fact, done through the schools. The schools have very strong links to employers, and the schools serve to select and orient their students towards these employers. This system has come under a bit of pressure in recent years with the stagnation of the Japanese economy but it is extraordinarily resistant, and now that the Japanese economy appears to be picking up again it does appear to be coming back as another form of recruitment for young people. You have more intermediate models, where countries combine some elements of these kinds of systems, with very different approaches. Let us take two countries which are perhaps not too dissimilar to the UK, Australia and Ireland. Australia has invested a lot in recent years in attempting to develop apprenticeship systems. Originally, it started out with an apprenticeship system which was more traditionally craft-oriented; then it moved to supplement that with a system of more short-term traineeships which were oriented for one or two years and meant to be more flexible in terms of the content of the courses and the kinds of training. Most recently, they have

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amalgamated these two types of systems into what is now called Australian apprenticeships and these are essentially competency-driven approaches, so instead of necessarily serving three or four years before you get your certificate, you are assessed throughout the period of your apprenticeship and, as soon as you acquire specific levels of competency, you can get credits towards the completion of your apprenticeship. This has increased, more than doubled, the proportion of the young population in Australia which has enrolled in apprenticeships over the past 10 years. In the case of Ireland, again, it is somewhat similar. You started out with a system which was very old-fashioned in the sense it was oriented towards crafts, craft trades in certain sectors of the economy, notably construction, engineering, and printing, et cetera, but with the rapid growth in the Irish economy there has been strong emphasis on (a) increasing the range of occupations and crafts for which apprenticeships are regarded as a normal route for young people who do not go on to tertiary education, and, (b) very importantly, giving a very strong voice to employers in the design and content of these courses. The result is that the Irish employment and training agency (FAS) spends about a third of its total training budget on apprenticeships, and the number of apprentices has doubled in the past 10 years, and now more than half of the young people who leave the secondary system but do not go on to tertiary education in Ireland go into one of these apprenticeships. The one perhaps negative point I would make about the Irish system is that it is essentially a system for young males; there are almost no young females in the apprenticeship system.

**Q45 Lord Paul:** That is very useful information but what, if you are aware, are the implications in the UK for this? Also, what is the evidence from other countries on how full-time school-based vocational education and training compares with work-based education and training?

*Professor Martin:* I think the evidence on the last question that you pose is rather unambiguous, that is that school-based vocational education and training is not as effective as a system that combines class-room instruction with work-based experience. Here I can say pretty categorically that the evidence is very strong in that direction, in terms of looking at the transitions into employment and also looking at the earnings histories of young people, both within countries and across countries.

**Q46 Lord Vallance of Tummel:** Would you like to comment on the impact of migration on job prospects and earnings for indigenous youth, and I suppose we are particularly interested at the

moment in migration from central and Eastern Europe.

*Professor Martin:* This is a very controversial topic, as you can well imagine, in many countries. It is an issue that has been studied a lot in the empirical literature, and it is fair to say that there is not a complete consensus about this. Some studies argue that there is strong competition between migrants, especially reasonably well-educated migrants, and low-skilled native workers, of whom many might be young people, and there is some evidence to suggest that that might be the case, but there are other studies which come to the opposite conclusion. For example, in the United States there is one school which argues that that is the case, led by a very distinguished Labour economist called George Borjas at Harvard who has published several studies claiming to be able to demonstrate this. There are alternative studies which do not find these kinds of effects, or, if they do find them, they are very small indeed. There is a very famous paper by David Card where he looked at the impact within the Miami labour market of the influx of all the migrants that came from Cuba after Fidel Castro released something like 200/250,000 Cubans and they mostly settled in Miami, and he looked at the impact on the employment and earnings of native workers in Miami and found no effect essentially, so there is some disagreement in the literature on this. I think my best reading of it would be that there are likely to be very small effects. It is interesting to note that many of the migrants, at least from central and Eastern Europe, tend to be better educated on average than many of the native workers that they might be directly in competition with. That is certainly the case in my own country, Ireland. The recent immigrants have higher average educational attainment than the natives, as it were, and there is some evidence that they are tending to trade down in a sense, that is they are moving into occupations for which their skills are above average, and perhaps pushing out some of the natives, or at least having some impact on their earnings history. But it is too early, in my view, really to be able to make a concrete judgment about that. We are only talking about two or three years of experience and we need, more time to be able to judge whether the recent influx of immigrants from central and Eastern Europe has had a significant impact on the labour market prospects of natives, particularly those who have relatively poor skills.

**Q47 Lord Vallance of Tummel:** Do you know of any studies on the UK in this area?

*Professor Martin:* I am not aware of any at the moment, no.

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**Q48 Lord Macdonald of Tradeston:** I have a two-part question really. I only had the opportunity this morning to scan this paper but, looking at the tables, comparatively it did not seem to me that Britain was doing that badly, so I wonder if we have been over-concerned about it all. Secondly, I notice in the other OECD countries they seem to be more successful in getting the employers to come forward with offers of apprenticeship places. Is there a role here for government allowances? Do they go to the employer? Do they go to the apprentice? What works best?

*Professor Martin:* There are two parts to your question. Addressing the first part, I would agree with you; I think that in the youth labour market you need to look at a wide range of indicators, because of the nature of youth transitions from school to work. It is not just sufficient to look at the standard indicators of the unemployment rate or the employment rate, because so many young people, as we mentioned earlier, are combining working and schooling. They have many different opportunities; they tend to move in and out of employment quite rapidly before they can settle down into a more stable career, and if you take the nine or 10 different indicators which we have used in this report, if you place the UK in a comparative scoreboard, you would find it is a rather mixed picture. It is certainly not the worst but it is far from the best in terms of a number of important indicators, so I would say that it is really in the middle of the pack but whether you are satisfied with being in the middle of the pack is another matter, and there are some clear, areas where things are less satisfactory compared to some other countries. Let me turn to your second point, and I think this is a very important issue which, I guess, you will be discussing further in your report, the role of employers—and, incidentally, not just the role of employers but also of trade unions. I think both sides have a very important role to play in this process. Clearly you want a system in which employers have an important say in what are the kinds of skills being produced and who is getting them and what kinds of certification are being produced. That is the first point, because after all, if you as an employer have no confidence in the piece of paper or certificate that a person whom you are considering hiring has, then what is the point? Now, there are many different ways in which countries seek to get enough employer interest in the system of apprenticeship and training. One is to offer subsidies to employers to provide enough places. A second approach is to offer, as it were, a carrot and stick. There are what used to be called train-or-pay systems available in some countries; that is, you pay a training levy if you are not prepared to train up to a certain proportion of people, and if you train you will get some subsidies

for that training. A third system is to share the costs so that the trainee gets a very low allowance or wage, and in that sense the employer gets some compensation towards the costs of providing the training. This is often quite characteristic in many systems, that the apprenticeship wage or allowance is often set very low and it tends to increase a bit through the time of the apprenticeship in order to take account of the increasing competency and proficiency of the young person, but typically it would be below the minimum wage or the average wage negotiated in collective agreements for the equivalent occupation or craft.

**Q49 Lord Macdonald of Tradeston:** And then topped up by government?

*Professor Martin:* It can be in some circumstances. Generally it is not but, for example, in Australia the government pays two grants to the apprentice on top of the training allowance that they get. It is really, if you like, a kind of a grant to ensure that the young person in question stays in the apprenticeship, so if you stay you get one at the beginning of the year and then you get another small grant later on in the year, on condition that you remain in the programme. So there could be some element of top-up but it is not universal, and many countries do not have it, for example.

**Q50 Lord Oakeshott of Seagrove Bay:** My question is about the transferability of skills qualifications required by young people in OECD countries. How concerned are OECD governments about fostering “soft” skills or noncognitive attributes, what the CBI is calling “desire, determination, motivation and attitude”, in particular, which I think is what employers are interested in and which should make them much more attractive to employers, and, just as a rider to that, do you notice much difference between the sexes in this area?

*Professor Martin:* On the second of the questions, the issue about non-cognitive skills, I think the evidence, as I said earlier, is that non-cognitive skills are very important. Indeed there is some evidence, for example, from the OECD’s PISA study which looks at the skills of 15 year olds, that shows rather clearly that a range of non-cognitive skills such as motivation for learning, enthusiasm and classroom participation is a very good predictor of the performance on the cognitive dimensions. But, and here is the rub, it is rather difficult to know how you can improve those non-cognitive skills except in the sense that, if you intervene very early, there is this evidence from Head Start in the US, and I would hope from Sure Start in the UK, that it is possible to foster some of these non-cognitive elements and attributes. We have spent a lot of time at the OECD because we are now in the throes of developing a

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new international survey of adult skills and competences to discuss whether we should, in addition to the tradition of cognitive skills that we would be testing in this survey, try to also develop a range of assessments of some of the non-cognitive attributes. But at the moment member countries and governments are not convinced that we can develop sufficiently viable measures of these non-cognitive attributes that would work in a cross-cultural environment, with the sole exception of problem-solving. We do feel we can develop some assessments of problem-solving that we will hopefully be able to include in this new survey that we are currently developing, which I believe will make a major impact because it is going to focus specifically on the low-skilled, which will be one of the main differences from the previous International Adult Literacy Survey, and we will also involve employers more consistently in this new survey. On your question about the transferability of skills, I think this is vital. Whatever kinds of skills people acquire, whether via an apprenticeship or a vocational educational training programme, or at the workplace, they have to be both in some sense certified and recognised and then transferable to other employers, so that there has to be, if I can put it crudely, a value attached to that on the labour market, otherwise the young people and adults will not see any real return to themselves from investing in training and investing in skills, and this does require an investment by the young people themselves, whether it is the time they spend or the effort they put in. If they do not see a return to that, they will not do it, and employers will not seek to recruit or invest themselves unless they can also see this advantage.

**Q51 Lord Oakeshott of Seagrove Bay:** And does sex matter?

*Professor Martin:* I think the answer is yes—unfortunately! Many of the traditional apprenticeship systems are difficult to extend to young women, so that is a problem. If you look at intermediate and middle-level skills and think that an apprenticeship-type system is an important element to increase those kinds of skills, then you have to be very sensitive in looking at these gender differentials and trying to see to what extent you can open or extend particular occupations to both men and women. What you do not want to do is reproduce strong segregation in the labour market in terms of individual crafts and occupations and trades. It is not easy because there is a very long history here in many countries, but I think it is important. It is also true that in the service sector many of the new emerging occupations are ones where it is very possible to have both young men

and women working, and I hope that is something positive for the future, but the gender segregation and the earnings gaps are very resistant, unfortunately.

**Q52 Lord Layard:** On the question of transferability, you can have transferability between firms within an industry, that is necessary in order to have a low market value, but you can also have transferability between industries. Some people argue now that people's jobs last for a much shorter period than in the past, though that is, I know, doubtful in terms of some of the evidence, but this is an argument that people are therefore, because of this greater mobility between types of work, really better off having something which is not too industry-specific. Could you comment on that?

*Professor Martin:* Let me make two remarks. I want to agree with you that the popular perception that there is no such thing as lifetime employment or that people cannot remain in long-term relationships with their employers in the modern economy is just rubbish. All the evidence that we have looked at shows that there is still a very large proportion of the workforce that is engaged in a long-term relationship with their employer, so lifetime employment is alive and well. It is under some squeeze, of course, but it is alive and well, so there is still a very high premium on skills acquired in the same firm with the same employer for many people. On the other hand, it is also true that at the margins there is more turnover of people moving between jobs, so that may increase a little bit the premium on investment in more general transferable skills, but I am not wholly convinced that the evidence suggests that employers are prepared to pay solely for firm-specific skills and not for investment in general skills. That comes out very clearly from the literature on training and the kind of investments that employers are prepared to make in that, and some of that is in order to minimise problems of poaching but also it is the fact that, with compressed pay differentials, you can capture some of those extra returns if you are an employer, so you have an incentive to do this.

**Q53 Lord Kingsdown:** We have some concern in this country that there are too many young people who leave school at 16 and seek jobs or apprenticeships, who do not have sufficient mastery of basic skills such as numeracy or literacy. Now, does this same problem arise in other OECD countries, or are we the worst, and may I tag on to that a question to help me clear my mind of what one does with people between ages of 16 and 18? Are there two separate routes for them, what one

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might called craft education, training, real old-fashioned apprenticeships to acquire a skill, and the other academic side to improve their reading and their general intelligence? Can we do these two side by side?

*Professor Martin:* On the first part of your question, the UK is not unique in this but it is one of the countries that has quite a large proportion of people exiting compulsory education at the age of 16, whereas in a number of OECD countries it is 18 or more, and the proportion of people at the age of 17 who are still enrolled in education in the UK is relatively low compared to some other countries. So you could take the view that perhaps it would be desirable to raise the school-leaving age to 18 and, indeed, if I understand rightly, part of current UK government policy is to try to increase the proportion of people staying on in education at the ages of 17 and 18, though not to go down the route of compulsorily raising the school-leaving age to 18. That would be a very, very big decision and you might wonder, if you have a large proportion of young people who want to leave at 16, whether compelling them to stay on for two more years in school would make them very happy or turn them into good learners. One could have some serious doubts about that, but the fact that you do have a lot of people leaving at the age of 16 and a significant number of them do not then go into training, or find it very difficult to get into employment through the New Deal for Young People, is a worry and a problem. I do think there are alternatives for example, it would be very desirable to raise the quality of the schooling experience up to the age of 16 for more young people, so that you would have less truancy, less problems in school, and where you would also have more people better equipped to go on either into further education or who at least would come out of the schooling experience with a better set of foundation skills. Leaving that aside, however, between 16 and 18 there is a lot to be said for trying to develop some combination of part-time schooling and part-time work experience, and at the moment you have in the UK, as in some other countries, a whole variety of possibilities. You have more opportunities and more different measures than I can remember, I am sure you probably know them better than I do, and there is such a plethora of them and they are valued so differently it seems that there probably is a need for some more re-organisation and simplification on this level, but it does, I would think, need to have some significant workplace basis to it. Whether you call it “craft” in some sense or something else—the word I do not like because it seems to be very old-fashioned but I know what you mean—it does need to combine that with some attempts to encourage better foundation skills so

that people can leave at least with a minimum level of literacy, reading and numerical skills that are going to stand them in good stead later in life.

**Q54 Lord Lawson of Blaby:** I was very glad, if I understood you rightly, and I would like clarification, to hear what you said a moment ago because of course the Government is now proposing that education should be mandatory until the age of 18, and our attention has been drawn to a very good article in the *Financial Times* last week giving a very reasoned case why this would be very bad. As I understand it, you would agree with that?

*Professor Martin:* Yes. I think the idea of making anything mandatory for an economist tends first to engender a negative reaction instinctively against it. There is a problem in that you need to look at the motivational side of it, in a sense. After all, if you are wanting these young people to see the benefit of it, making it compulsory for them if they are already unhappy and want to leave school earlier is not going to make them better learners, in my view, or more happy in their own approach. There is just going to be a large number of rather disgruntled older young people in your schooling system and that cannot be good. On the other hand, there is a lot to be said for convincing them and their parents and families that it is in their own interest to stay on a bit longer, or to look at alternative possibilities of education combined with some work experience. That I think is a very good thing, and that would certainly be a very worthwhile investment for the UK, it seems to me. But of course it is easy to say that: it is much harder to put it into practice. But it is important to convince the families, remember, not just the young people but also their parents, and that is something that I think is very urgent, especially in the modern environment where you are having to compete with lots of other countries who are also seeing the benefits of making these investments too.

**Q55 Lord Lawson of Blaby:** May I follow up briefly Lord Kingsdown’s question? I think it is generally agreed—it is certainly the view of the CBI and I do not think they are always right but I think they are right on this—that literacy and numeracy are absolutely essential, and the problem in this country—and maybe in some other countries too but certainly this one—is the standards of literacy and numeracy are really rather poor, and this is frightening. Resources are always limited. Have studies been done to show what the most cost-effective time to address this problem is? Obviously, you can address it at 14 or 16, maybe even 18, but you can also address it at the beginning of the school career when pupils are young, like in the

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Head Start programme in the US. If you have limited resources, which end of the spectrum, as it were, is the most cost-effective?

*Professor Martin:* I am not an expert on education, and I have colleagues who would probably disagree with what I am going to say on this, Lord Lawson, but let me make just one clarifying remark to your opening proposition. If you look at the PISA scores, the performance of 15 year olds in reading, maths and science, the UK's latest performance is not too bad, I would say. It is not at the top; it is not as good as Finland, Korea, Japan; but it is better than Germany, France and some other countries. Where it has not done so well is if you look at the distribution of these scores across the youth population, where there is a very steep gradient showing that young people whose parents have a high socio-economic status do very well but young people whose parents have low-socio economic status do not do very well. So the gradient is very steep in the UK and that is something that is of grave concern.

**Q56 Lord Lawson of Blaby:** So what is the most cost-effective way of addressing that concern?

*Professor Martin:* Well, I think it is probably wise to invest more in the pre-schooling period, as I said earlier, and then I think you should try to improve the quality of the learning experiences that are given in primary and secondary schools.

**Q57 Chairman:** So the idea is the earlier the better?

*Professor Martin:* That would be my personal interpretation of the evidence but, as I say, I am not an education specialist per se and I am sure some of my colleagues might not agree with me, but I do think that the lesson of early and sustained intervention does appear to be quite convincing—to me, anyway.

**Q58 Chairman:** We are getting towards the end but can I put it to you another way? You have given us a very helpful series of answers in answer to Lord Lawson, but with the qualifications that you put on it. Did he ask the right question? Is it important that if we are going to spend more money we have to work out where it is best spent?

*Professor Martin:* Of course, many recommendations in this area do involve spending more public funds and, therefore, it is very important to try to look at what is the most cost-effective use of those public funds and that inevitably raises the question that Lord Lawson raised, and one has to address these

issues and also look at who gets the benefits and what is the sharing of the costs and benefits here.

**Q59 Lord Macdonald of Tradeston:** Could I follow up on Lord Oakshott's question earlier about the gender differences? Are there any examples in the OECD on ethnic minority inclusion in the workforce that Britain might look to?

*Professor Martin:* The evidence, for example, from the PISA study shows very clearly that there is an issue about the children of immigrants, what you might call the second generation. In all OECD countries they do very badly in the PISA tests, and this is a real worry I think, that the children of immigrants tend to be concentrated in particular schools and tend to be concentrated in poorly performing schools. So that is an issue I think that all OECD countries need to pay much greater attention to. It is one thing for the immigrants to have difficulties in integrating, but it is another thing for their children to have serious difficulties in the education system.

**Q60 Lord Macdonald of Tradeston:** There seems to be a suggestion in some of our background papers that if you leave it to employers they come with stereotypical and sometimes reactionary attitudes which discriminate against both women and ethnic minorities?

*Professor Martin:* I think there is plenty of evidence that that is indeed the case. There have been some very nice experiences carried out by the ILO in Geneva which has mailed out false CVs to employers in response to real vacancies, but where the only thing that matters is whether there is an indication that the name of the person signifies that they are likely to be associated with an ethnic minority group in the countries in question. If that is the case then these studies show unambiguously that your chances of getting called for an interview are, you know, factors of 1:4 or five times less than that of other, let us say, applicants with a more neutral name; and that holds across all countries, I would say, in which these experiments have been carried out.

**Q61 Lord Macdonald of Tradeston:** So we will have to invent our own system for that?

*Professor Martin:* One way is to have, as it were, as blind CVs as possible, but even that does not save you because discrimination, unfortunately, does play a very important role in hiring, whether it is in terms of gender or of age or of ethnic minority status. That, I am afraid, is a fact of life, if I can put it that way.

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**Q62 Chairman:** Well, a fact of life is a good point on which perhaps to end. May I on behalf of the Committee thank you very much indeed. You have been extremely pertinent and answered a lot of our questions extremely well and we are very grateful to you. It is a big subject and it is very helpful to have

got into it in such a helpful way. Thank you very much indeed.

*Professor Martin:* Thank you very much, and if I can be of any further assistance please do not hesitate to contact me, and I look forward very much to reading your report when it appears.

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TUESDAY 30 JANUARY 2007

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Present	Kingsdown, L Lamont of Lerwick, L Layard, L Macdonald of Tradeston, L Paul, L	Sheldon, L Skidelsky, L Turner of Ecchinswell, L Vallance of Tummel, L Wakeham, L (Chairman)
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**Memorandum by Professor Lorna Unwin, Institute of Education, University of London, and  
Professor Alison Fuller, School of Education, University of Southampton**

We offer the following response to questions 7–10 as set out in the Call for Evidence, and focus, in particular, on the issue of apprenticeship:

1. The Inquiry's concern for the prospects of and opportunities available to "low-skilled young people" needs to be set within a broader debate about the extent to which government should ensure that appropriate structures are in place to ensure all young people are adequately supported in the transition from compulsory education. Currently, the majority of young people who leave full-time education to enter the labour market (formal and informal), government-funded training programmes, or disappear from the official statistical radar face an ad hoc, fragmented and under-funded support system. Some will be lucky enough to enter jobs or apprenticeships with reputable employers who will invest in their personal development, but many will become trapped in low-grade jobs or in the highly unsatisfactory revolving door of "track switching" as they move between training placements, jobs, unemployment and education. This means that the least well qualified youngsters receive the least support. Given the policy goal for 50 per cent of young people to participate in higher education, a debate needs to take place about whether all 16–21 year olds should be regarded as "inside the education tent", even if they wish to combine work with part-time study. Such a move would send a clear signal to employers that they could continue to recruit school leavers from the age of 16, but only within a framework that enabled young people to continue their general education.
2. It is important for the Inquiry to have some understanding of the recent history of vocational education and training (VET) policy for young people, as this can help to explain why the current Apprenticeships programme will continue to struggle to achieve the desired objectives. The structures and attitudes that were established nearly 25 years ago, with the introduction of the Youth Training Scheme (YTS) in 1983, still heavily influence contemporary VET provision. Since YTS, successive Government-funded training programmes for young people (16–25 year olds) have been focused on placing individuals in employment (or, if necessary, simulated work-based provision) to gain work experience. An army of training providers was created to act as the bridge between government and employers at local level. The providers sit at the heart of the VET system and concentrate on securing the number of apprenticeship placements (still referred to as "starts" in the DfES and LSC statistical databases) identified for them by their local Learning and Skills Councils (LSCs). These numbers are based on the annual PSA target set by Treasury and not on the needs of businesses for apprentices. As such, many employers have no connection with the qualification requirements of the VET programme as they are handled by the training provider. Furthermore, government (through the DfES, LSC or local LSCs) does not keep any records of employers involved in government-funded initiatives. This is very curious given the central role that government wishes employers to play in its skills strategy. Yet, the lack of records is in keeping with the approach over many years to youth (and adult) training—government initiatives are supply-side driven and are not related to business demand. This approach has been creating problems for a quarter of a century and distinguishes the UK from many other European countries where employers play a much fuller (and much more regulated) part in the VET system. (see Fuller and Unwin, 2003a and b; Ryan and Unwin, 2001.)
3. In terms of the Inquiry's Question 8, research evidence is limited due to the difficulties involved in gaining access to employers involved in apprenticeships. In addition there are no publicly available records of employers who have been approached by local LSCs, but who have declined to become involved. The research that does exist (including our own) suggests that because employers vary so much in terms of their training traditions and their level of commitment to workforce development more generally, a much more finely grained planning process must be developed to match employers with potential apprentices according to true business need. In addition, those employers who have demonstrated they can provide a high quality programme should be encouraged to play a bigger role. They could, for example, be funded to provide training

in their workshops to apprentices from smaller companies where the range of skill requirements might be limited.

4. Although the achievement of vocational qualifications has been a required outcome of UK programmes for many years, employers have been able to withdraw young people before completion without penalty. In addition, the use of competence-based NVQs (as opposed to vocational qualifications that require deeper learning of theories and concepts) has meant that many qualifications can be gained through the accreditation of everyday work tasks, and often without improvement in literacy and numeracy, or the acquisition of vocational knowledge. Clearly, vocational qualifications must be “fit for purpose” and need to adapt to changing conceptions of skill and the introduction of new technologies. It is also imperative, however, that vocational qualifications provide a platform for progression to ensure that individuals can reach their potential, but also to ensure that the country is maximising available talent. The latest LSC statistics reveal that the length of time it takes apprentices to complete their programmes varies considerably from one sector to another. For example: to complete the Advanced Apprenticeship (Level 3) in Engineering takes, on average, 156 weeks, compared to 74 weeks in Business Administration and 64 weeks in Retail. To complete an Apprenticeship (Level 2) in Hospitality and Catering takes 43 weeks compared to 74 weeks in Construction and 88 weeks in Electrotechnical. Whilst accepting the differences in the nature of skills and vocational knowledge required in these sectors, the figures suggest that some young people are participating in considerably more vocational education than others. They also suggest that the notion of level equivalences in our national qualifications’ framework is an illusion, with qualifications awarded at the same level having different amounts of exchange value and currency across both education and labour markets (see Unwin *et al.*, 2004). Such differences would not be accepted in academic programmes.

5. The lack of regard for qualification quality and achievement, and the suggestion that employers can use Apprenticeships as a way to gain extra pairs of hands through a “revolving door” approach to recruitment means that the current programme suffers from the same image problem that has haunted youth training since the 1980s. This affects both employers and potential apprentices. The programme is still regarded as a “government scheme” and, hence, a third-rate pathway—many young people will choose a job without guaranteed training over an apprenticeship. In terms of completion rates, improvements have been made, though these should be treated with caution given the points about differences in the length of apprenticeships made in point 2 above. Latest statistics show that completion rates hover around the 50 per cent mark for the majority of both Level 2 and Level 3 apprenticeships. What is not clear, however, is how many apprentices have achieved a Technical Certificate (TC). Although TCs were introduced as a mandatory requirement, alongside the existing mandatory components of an NVQ and Key Skills in apprenticeship frameworks in 2001 to ensure apprentices studied vocational knowledge, the LSC has now relaxed this to enable Sector Skills Councils (SSCs) to drop them if they so wish. The LSC does not record TC completion separately, so the current completion rates will include sectors where there is no longer a TC requirement.

6. The flexibility of Apprenticeships (referred to by the DfES and LSC as a “brand”) means that some apprenticeships lead to well-respected (by both education providers and employers) qualifications. In terms of currency, some apprenticeships are highly prized, very selective, and lead to well-paid careers situated within professional pathways and qualification hierarchies. For example, the engineering sector requires the same or higher levels of attainment as demanded for staying-on in the sixth form (ie GCSE grade C and above in Maths, English and Science/Technology; extensive interviews and cognitive and practical aptitude tests). Engineering apprenticeships also include a TC (as well as an NVQ and Key Skills). Typically in Advanced Apprenticeship (level 3), the TC is a BTEC Ordinary National Certificate (ONC), which is assigned points in the UCAS tariff which align its value against A levels. For example, a candidate achieving double distinction in his or her ONC is viewed as having an attainment equivalent to two A grades at A level (ie 240 points). In contrast, the NVQ3 (an award ostensibly at the same level as the ONC) is not part of the UCAS tariff and, therefore, is not treated as providing automatic entry eligibility to HE. Hence, Advanced Apprentices who successfully complete an apprenticeship in a sector which only includes an NVQ3 (and Key Skills) in its framework will not be automatically eligible for HE. To further reinforce the difference between what constitutes apprenticeships in different sectors, Engineering apprenticeships can lead to HNC/HND (level 4), and so provide an excellent foundation for a full honours degree and beyond. These apprenticeships, therefore, take a young person beyond the age of 18–19. In addition, apprentices in these types of organisation/sectors are seen to have a dual identity for the duration of their apprenticeship: identity as learner; and identity as an employee. In those organisations/sectors with no real understanding of or commitment to the institution of apprenticeship, young people are regarded as new entrants who must become productive workers as quickly as possible. At the other end of the spectrum are those apprenticeships that demand little if anything in the way of entry requirements, offer no opportunity for off-the-job education/training, and limit the young person to a very restrictive diet of on-the-job experience. As such, these apprenticeships might last from six months to a year and provide no real foundation for progression beyond level 2.

7. The absence of a robust regulatory framework means that both good and bad provision can be found in all sectors. An apprentice is more likely, however, to gain access to a more structured and progressive programme in sectors where the following attributes of a “course” or “programme” have been maintained:

- college-based vocational education/experienced teachers;
- qualified and experienced workplace trainers;
- former apprentices in management and supervisory positions;
- organisational capacity *vis-à-vis* the construction of workplace curricula and training programmes;
- celebration of achievement; and
- valuing of a curriculum that embraces skills and vocational knowledge.

8. Gender equity has also emerged as an important concern in government-funded Apprenticeship. Although apprentice starts are split fairly evenly between males and females, our research has also shown that males are more likely to participate in programmes leading to level 3 awards, and which offer apprentices “employed status”. In addition, male apprentices are also more likely to participate in sectors which provide higher levels of pay to their trainees and which provide the opportunity to gain the sorts of TCs which have currency in HE and the wider labour market. (see Beck *et al*, 2006; Fuller *et al*, 2005; Beck *et al*, 2005.)

9. The next point we wish to make relates to Question 10 and the issue of general labour market reform. The economy is changing and many apprenticeship places are now to be found in service sector organisations. This poses great challenges for skill formation models that emerged in more stable economic conditions. We need to learn much more about the nature of skills and vocational knowledge across the economy in order to formulate appropriate skill formation strategies. At the same time, the nature of job recruitment is changing, particularly in response to the growing number of graduates. We need to know how many employers are now recruiting graduates and young people with A levels rather than apprentices. We should be asking how many graduate training schemes were previously offered as apprenticeships and have now simply been re-badged. In many other European countries, apprenticeships form the major pathway for young people, as opposed to the minority pathway in the UK. This is partly due to the strength of belief in those countries that vocational education and training are required for every job, because, every job is skilled. This has led to the widespread requirement for workers to obtain “licences to practise”, which in turn means employers who take on apprentices have to prove they employ trained trainers, and underpins the high status of vocational education tutors.

10. The final point relates to the impoverished nature of official data with regard to young people participating in government-funded training programmes. We have already mentioned that no data is kept on employers or the attainment of technical certificates. The LSC is responsible for collecting statistical data on the numbers of young people entering apprenticeships, their achievement and completion rates, and length of stay. There was a break in the data collection when the DfES transferred responsibility to the LSC and so the LSC reports that it has no “historical” data. The LSC admits that its statistical database is difficult to navigate. With regard to the numbers of young people in the labour market who are not participating in government-funded programmes, the statistical evidence is non-existent beyond annual approximations made by careers officers at local level as to the number of 16–19 year olds entering jobs.

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### Examination of Witnesses

Witnesses: PROFESSOR LORNA UNWIN, University of London, and PROFESSOR ALISON FULLER, University of Southampton, examined.

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**Q63 Chairman:** Good afternoon, thank you very much for coming along to help us with our inquiry into skills. You have both sent us some written evidence, for which we are most grateful and, hopefully, we are going to ask you some questions; who answers or if you both answer is a matter entirely for you. I am told, and I say to everybody, please speak up and speak slowly so that we make sure we get a reasonably accurate account of what you have to say, and if you want to say anything by way of preliminary statements, this is the moment to do it, otherwise we will go straight on to the questions.

*Professor Fuller:* We can go straight on.

**Q64 Chairman:** Thank you very much. If I may start, I wonder if you could outline for us the process whereby government targets—in particular Treasury and PSA targets—are translated into apprenticeship “starts” and what are the effects of this process on employers and apprentices?

*Professor Unwin:* This is important because it is part of the problem that the programme has, so it is important to understand the relationship between the targets and the way apprenticeship is organised. The

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PSA targets are created within central Government and then passed to the Department for Education and Skills which then passes them to the Learning and Skills Council. The PSA targets are based on the number of apprenticeships the Government wishes to contribute funding towards, so the Learning and Skills Council has the PSA targets which at one point stood at 28 per cent of the 16–21 year old cohort should go into apprenticeship, although that now appears to have been not exactly dropped but it is difficult to get anybody to confirm it. A PSA target is set for apprenticeship and that is passed to the Learning and Skills Council for the Learning and Skills Council to then deliver, and the national Learning and Skills Council then divides that target amongst its local Learning and Skills Councils around England. So the local Learning and Skills Council for Greater Manchester will be given a target of so many apprentices to find in its area, and it does this by then dividing that target between its registered training providers in the different sectors, and the registered training providers then have to go out and find employers to take apprentices. What it means is that employers are not involved in any of that process unless they are very large employers and they have a contract directly with the national Learning and Skills Council; and if they have that, then they will negotiate on an annual basis for a number of apprenticeship places. But only something like five per cent of apprenticeships are through those large company contracts; the rest are organised through, at local level, the training provider network.

**Q65 Chairman:** Starting with the Treasury figures at the beginning and then through all that process, would it be reasonable to conclude that a fair bit gets lost en route? The Government will say that we have X apprentices, or we are planning to, and then Y gets delivered at the end. Do you have any idea how much gets lost en route?

*Professor Unwin:* It depends what you mean by what gets lost; what happens is that the targets start to unravel in the sense that the national Learning and Skills Council might have a sense that it wants different proportions in the different sectors. But when it gets down to the local Learning and Skills Council level, because the training providers' business is actually to deliver government-funded programmes, they will then have to see if, for example, they can more easily meet their targets by having, say, more apprentices in retailing than, say, in engineering—they will do a lot of adjustment at local level. The relationship between that initial national target, therefore, and what it means on the ground—there is a significant difference.

**Q66 Chairman:** It is a bit loose by the sound of it.

*Professor Unwin:* Yes.

*Professor Fuller:* The other thing is that the target is completely focused on starts, so the Learning and Skills Council and the training providers are engaging all their energies to get people involved on apprenticeships so that they will count towards meeting that target, and then the subsequent experience is not part of the target, and the variability, if you like, starts to kick in.

**Q67 Lord Kingsdown:** In paragraph 5 of your paper you say that “completion rates hover around the 50 per cent mark”. You have described to us a great structure which starts off awfully well and what you are trying to produce is only coming out at 50 per cent of what started.

*Professor Fuller:* Yes, and that completion figure has increased significantly in the last two years; it used to be 20 to 30 per cent.

**Q68 Lord Kingsdown:** It may come up in a later question, but it would be extremely interesting to know why this dropout rate is so high.

*Professor Unwin:* That is an interesting term; it is not necessarily dropout. What is interesting about the figures is that a lot of apprentices who are not completing, in the sense of finishing their apprenticeship and obtaining a qualification, stay with their employer; but the completion of the apprenticeship kind of just dissolves and becomes no longer an issue. That is related to Alison's point that the emphasis is all on the initial recruitment, the initial placement, not on what happens afterwards.

**Q69 Lord Skidelsky:** Just a question about the incentives facing the training provider. The training provider is paid £3,000. Is that for start or is there another payment for completion?

*Professor Fuller:* That has changed over the years. As I understand the current situation, there will be a start payment and then there is a per week payment, and then there is a small completion payment.

**Q70 Lord Skidelsky:** But a small one.

*Professor Fuller:* There was a stage, when the modern apprenticeship was first introduced, when there was quite a strong emphasis on the output payments—

**Q71 Lord Skidelsky:** Why was that changed?

*Professor Unwin:* The apprenticeship programme we have now was first introduced in 1994 as an advanced modern apprenticeship, aimed at level 3 skills, so it was to be a selective, intermediate skill level. When it was changed in about 2000 to encompass all government-funded youth training, that was when the payments to the providers were relaxed.

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**Q72 Lord Macdonald of Tradeston:** There seems to be a growing consensus that employers should have a more central role in all these processes. Could you tell us what the role is of the typical employer of apprentices at the moment and their training and preparation, and what the barriers to that greater employer involvement in the training of the apprentices might be.

*Professor Fuller:* The first thing to say is that we know very little about employer involvement in the modern apprenticeship because no administrative data is collected on the number of employers that are involved, by sector or in terms of total numbers. The administrative data focuses on the characteristics of the trainee, so there is an evidence gap there in terms of what we know about employers. The kind of research we have done suggests that there are some barriers to employers becoming involved in some sectors. One of the issues that comes up is the amount of bureaucracy that is perceived to be involved in taking on a young person under the apprenticeship banner. Another is the gap between what their business might require in terms of personnel and skill formation and the kind of young people that are coming to them via the training providers that have been presented to them, so there is a mismatch. There are probably one or two others.

*Professor Unwin:* The employer role reflects a 20-odd-year pattern really, that started in the early days of the youth training scheme when a lot of employers took young people through this channel of the training provider. Through our research and other people's, what you find is that a lot of employers are not engaged in the way you would imagine with apprenticeships, in terms of the way apprenticeship was many years ago. It is the training provider who handles the requirements of the apprenticeship framework. The training provider will say to the employer, "You do not have to worry about assessments for qualifications or the key skills. You do not have to worry about the training. We will do that. You need to provide the placement." In many, many instances that means that there are a great number of employers who do not understand what their role is in this, other than providing a work placement.

**Q73 Lord Macdonald of Tradeston:** Could you quantify the number or the percentage of employers who might be judged to be abusing the scheme by just getting kids in as dogsbodies and not giving them a proper training. Can you quantify that by asking the young people at the end how well they think they have been doing?

*Professor Unwin:* Again, this goes back to the evidence base. There have been very few longitudinal studies of apprenticeship, or indeed the youth training programmes before. On the whole, the

satisfaction rates amongst young people are quite good, so I do not think there is hard evidence to say that over the last few years there has been necessarily abuse. It is not quite worse than abuse but it is a different sort of abuse in that it is neglect, in that what is happening is that a lot of employers are providing perfectly acceptable work placements but not necessarily engaged in the substantive training that you would expect from something called an apprenticeship.

**Q74 Lord Sheldon:** I think you have actually made it clear, but just to be absolutely sure: these points that you are making at the bottom of your first page, three-quarters of the way through point 2, "many employers have no connection with the qualification requirement;" and also you say "government initiatives are supply-side driven and are not related to business demand." You are basically saying that there is somebody who is placed with a company, but the company has really played no role in either specifying what the training will be or in actually delivering the training, and indeed therefore might or might not place any particular value on the training and the qualification which is actually achieved. It is part of the process, it is part of the system that says, will you give this person a work placement, but there is a lack of engagement with the training which is required for this type of job. That is what you are saying?

*Professor Unwin:* Yes, that is what we are saying. We should add, however, that of course there are also employers within the system who are fully engaged because they have an understanding very much of the training needs of their business and they know how to organise workforce development programmes. At the moment we are concentrating, sadly, on a significant proportion of apprenticeship that is not like that.

**Q75 Lord Layard:** What proportion of these young people has an employment contract with the employer with whom they are working, and—for those that do—what does it say? Does it refer to apprenticeship or to training obligations on either side?

*Professor Fuller:* A very high proportion of those on the advanced apprenticeship, the level 3 programme, have a contract of employment, well over 90 per cent, and on the level 2 programme it is less, but it is still well over 50 per cent. That is the significant difference to some of these training programmes in the past where people were not given a contract of employment, and that has contributed to the satisfaction levels that we see. Young people do feel that if they are employed by a company or an organisation there is a level of commitment there

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which seems to contribute to their feelings of well-being. There is a training agreement, in addition to a contract of employment, but that does not have a statutory basis.

*Professor Unwin:* The training agreement in a lot of instances is quite short and it simply states that the apprenticeship will lead to a national vocational qualification at level 2 or 3, depending on the programme, that there will be key skill requirements and there may be what are now called technical certificate requirements. That used to be what we used to call a vocational qualification. That was not an NVQ but had a substantial knowledge component, but that is all it will say. It will not say, necessarily, how long the apprenticeship will last, it will not necessarily say whether you are going to attend college—for example for day release training. In some circumstances they are very vague.

**Q76 Chairman:** Is that an agreement between the employer and the apprentice or is it with the training provider?

*Professor Unwin:* It is both. In the ones where there is an employment contract there will be a tripartite document with the training provider. In those that have not got an employment contract it will just be between the apprentice and the training provider.

**Q77 Lord Kingsdown:** We hear your view as to the obstacles to encouraging greater employer involvement in apprenticeship places, but is there something that discourages it? I hope I may have got this wrong, but I thought you nearly said in so many words that now we have this structure of training providers they are almost saying to employers, “you do not have to worry about this because we are the experts, we are doing it”. Is that really so?

*Professor Unwin:* I think it is, yes, in too many cases. Again, we would qualify that by saying that there are some very good apprenticeships where the employers are fully involved, but in too many it is the training provider, and they use these words “We will take care of the training”, which is an extraordinary thing to say. In terms of barriers a key problem is that for sectors like engineering, automotive engineering, the electro-technical sector which, in the main, provide excellent apprenticeships, and where most of their apprenticeships are at level 3, the advanced programme, their problem is trying to get enough well-qualified young people to come forward, so they struggle to get enough recruits. Some of them, in the very well-known companies, the Rolls-Royces of this world, are actually massively oversubscribed. They get many, many more applications from new people than they have places. In the main, those sectors report that they see too many young people who do not have good GCSEs and particularly do not have maths and English, and they get a lot of applicants

sent to them by career advisers who are not particularly suitable. There is a key problem for both the young people and the employers in terms of finding each other. Another barrier is that if you are an employer and you want to get an apprentice, you can advertise in your local newspaper, you might do it that way, otherwise it is actually quite difficult, and now if you contact your local Learning and Skills Council, for example, you will be given a call centre number. Therefore, for quite a lot of employers, they do not actually know how to really access the system.

**Q78 Lord Skidelsky:** Before I ask the question I am down to, could I just follow up Lord Kingsdown? It seems rather extraordinary that from what you said it seems employers have very little input into the skills that they actually might need. If an employer says, “I want someone who has a short haircut, who smiles, or who is literate, and these are the main things that I am looking for”, that apparently has no way of getting through into the training programme—I am just using these as examples. Am I right, are they represented on the Learning and Skills Councils, do they make inputs there, and are there schemes for funding employers to actually provide the apprenticeships, the training? I am sorry, that is a batch of questions but it is all stimulated by your remarks that somehow there is no connection between what employers might be looking for and what is being provided.

*Professor Fuller:* There are plenty of examples, particularly in the engineering and manufacturing sectors, where employers and training partners have built up relationships over some time now and in a sense the training provider will act as their recruitment arm and know exactly what that employer would like and provide some specialist help in terms of filtering the young people that come, so that when the employer actually meets the young person or the group of young people they only have a few to choose from and they are all more or less suitable. That is the top end kind of example. At the other end, you have this complete disengagement where you may not even get a recruitment process happening because the person who becomes an apprentice is actually already employed by the organisation, and what will happen is that a training provider will come and see the employer and say, “We can provide some training free of charge to your existing employees to enable them to gain some qualifications. If you just point us in the direction of those individuals, we will do the rest.” You get, therefore, that zero involvement from the employer, apart from, at the end, if a qualification is obtained, some feel-good factor that individual employees have been able to gain qualifications. You get that whole range within this phenomenon called apprenticeship.

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**Q79 Lord Skidelsky:** Does the evidence suggest, in your view, that young people's experience of apprenticeship and their achievement of qualifications varies to an extent that would be unacceptable on any other national programme of education and training?

*Professor Unwin:* Yes.

*Professor Fuller:* Yes.

**Chairman:** It would be difficult for you to say anything different, given what you have been saying to us up to now.

**Q80 Lord Skidelsky:** That is a big problem.

*Professor Fuller:* That is a problem. We were having a talk about this earlier and you can read variability as a positive or a negative, and perhaps if you were a sector skills council sitting here, you might be wanting to argue that the ability to tailor a constructive programme that was in keeping with the needs of employers in your sector was a positive, even if it led to variability across the whole programme. You could put that slant on it, but what we would argue is where is the floor in this, how far can you take that argument of variability in relation to quality?

**Q81 Lord Macdonald of Tradeston:** Does that suggest that the quality of the training providers is not being consistently monitored, that they are very uneven and maybe in some areas disreputable?

*Professor Unwin:* The training providers are inspected and over the years the inspection has become more regular and systematised. However, the inspections monitor compliance with administrative procedures, so they inspect whether the training provider has their paperwork in order and there is a lot of emphasis on that, whether they are complying with equal opportunities requirements in their recruitment. When you actually look at the inspection report it is interesting that there is not a significant concentration on the quality of training, or indeed, for example, whether training providers are working closely with employers to get more of a connection to business need and training.

**Lord Kingsdown:** Can we go back to paragraph 4 in your paper where you tell us how the programmes vary considerably from one sector to another in apprenticeship. The advanced apprenticeship in engineering takes, on average, 156 weeks, whereas you can get through in catering in 43. Is this something that is considered to be what you might call an unacceptable variation in qualifications, or is it simply that if you decide to go into catering you are going to qualify quite quickly and get on with the job, but in the long term it may not be so valuable as sophisticated engineering. That is bound to happen, is it not?

**Lord Skidelsky:** It reflects the importance that we attach to food in this country.

**Lord Kingsdown:** Be careful what you are saying because it only takes 74 weeks for business administration, and that would put some of us at the bottom of the class.

**Q82 Chairman:** Let us have an answer to the question, shall we? No comments.

*Professor Fuller:* The basic difference between the sectors is those sectors that have traditionally been very strong and have a long history of offering apprenticeships tend to be the ones with the longest programmes, and that, crudely, is because there is quite a lot to be learned in order to be competent. It is not necessarily the seven years of the past, but certainly there is a substantial body of learning in the curriculum, to master practical skills and so on. We are still very unclear what apprenticeship means in sectors which have come on board in the last few years as to what the knowledge requirements are, what the curriculum might be, what the progression opportunities might be. And the variability to some extent reflects that almost experimentation that is going on with using an apprenticeship model in sectors where, in this country at least, we have not got a history and an infrastructure and expertise in developing a workplace curriculum.

**Q83 Lord Turner of Ecchinswell:** This was a question I was going to focus on later, but it arises directly out of this, so I might as well ask it out of turn. It does strike me that this is really very fundamental. If you look at your point 4 and point 6, you are describing a spectrum of different types of apprenticeship. At one end, there is, as it were, electro-technical, which is quite lengthy, where people get some real vocational skills and indeed may go into some of the theory and where those count for the UCAS tariff as equivalent to A levels. At the other level, there are shorter ones; they tend to be competence-based NVQs and UCAS does not recognise them as an entry into higher education. The thing which you have suggested already but is a fundamental question is, is this arbitrary or is it inherent? By arbitrary it would simply mean that actually you can train people in hospitality much better than we do, and actually we have some rather badly trained chefs, we do not value cooking skills whereas other countries do. On the other hand, it could be inherent, it could be that whereas if somebody was to wire the circuitry of a complicated piece of process engineering they do have to go through quite a lengthy skill development process which actually involves something about the theory of electricity as well as the actual mechanical process of doing it, but actually in retailing you can pretty quickly get the skills up to a basic level and you can then learn on the job to become a store manager

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and indeed to end up running the organisation. It strikes me that this is rather important because if it is inherent we should not be trying to push water uphill by taking a model of training which comes from electro-technical and applying it to retail, but if it is not inherent—and one of the ways of thinking about this might be what other countries do—then we should be doing something about it. Does your research or international comparisons throw any light on that issue?

*Professor Unwin:* It does, but you also have to ask an overarching question as well, which is what do we want a publicly funded programme to do. That is important because, clearly, jobs differ and sectors differ, so there is an inherent part to this which is very definitely that an engineering apprenticeship in terms of fitness for purpose still takes quite a long time. Part of that, though, is because of that sector's commitment still to training, that is not just for today but will actually develop in young people the skills and knowledge that may be useful for the business in the future, but also that they are giving the young person the chance to then progress, and that because a sector like engineering has a clear route that you can still access right through to chartered engineering status, they are very committed to that long term sense of training. In other sectors, there is much more emphasis on what does the young person need to do to operate at a particular level now, and that means that the training is much shorter and does not necessarily provide the young person with a platform for progression.

**Q84 Lord Turner of Ecchinswell:** Do you know anything from international comparison on this? Is it the case that French and Swiss hotel schools are more serious about training people in hospitality than we are, and have we reason to believe that French and Swiss hotels are, as a result, better run than British hotels? Do we know anything with that degree of confidence?

*Professor Unwin:* We know when we go on our holidays, perhaps, but there is much more comparability in other countries between the length of apprenticeships. But that is because there is more of an agreement about what the programme should provide and that it is not just about meeting current employer needs, it is about developing the skills of young people to enhance the economy more generally. The other issue is the amount of general education, because in other countries part of the apprenticeship process is to continue young people's general education. A key problem here is that the young people who are in the sectors with the shortest apprenticeships are often the young people with low levels of educational attainment, so it is compounding that problem.

**Q85 Lord Paul:** Can I just ask a supplementary on that? How much do we really see here that people go into vocational training when they cannot do well in their studies, not because they really want to go into vocational training?

*Professor Fuller:* It is interesting, we did a study for the Equal Opportunities Commission two years ago which was looking at the gendered nature of apprenticeships, something we have not spoken about yet, but that was certainly very interesting when we talked to young people. Their view was that apprenticeships were for people who had not good enough GCSEs to continue. Two-thirds of them said they would be interested to find out more about apprenticeship, but that was their basic assumption and interpretation that apprenticeship was for those who were not going to succeed in general education.

*Professor Unwin:* That links to the barrier to employer question we had earlier, which is that, sadly, quite a lot of schools but also clearly parents see apprenticeship as not necessarily an improvement from previous youth training schemes, so it has a poor image which then compounds this issue of what young people want to do—

**Q86 Chairman:** The kids who do that are the ones who the schools think have failed, basically.

*Professor Unwin:* Yes.

**Q87 Lord Lamont of Lerwick:** Going back to the opening question from My Lord Chairman on the PSA targets, do you think they should be framed in a different way and perhaps related more to the needs of industry and concentrating on completions? Is that what you are saying? Could I just also ask about statutory underpinning of apprenticeships, as it is put here? That, presumably, is a long-gone idea? Do you have any favour with it?

*Professor Unwin:* We would go back to the question of what is the apprenticeship, for and if you then decide that we are going to have a publicly funded programme it should be ensuring that young people have a comparable experience regardless of what sector they are in, that they can rely on the currency of the qualification. And then there could be a ground for a statutory floor, as Alison referred to before, a baseline that all apprenticeships should meet, and that might mean that some employers may not be able to take part in it. Obviously, the problem with that is that we do not have enough employers now involved, so you certainly do not want to discourage them even further, but it is about getting more comparability. There is far too much variability at the moment and it is a lottery for a lot of young people as to what kind of apprenticeship they land in.

*Professor Fuller:* A lottery that is very gendered. If you

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are a female who has not come out of her compulsory education with high levels of GCSE attainment, then you will be steered towards female-dominated hairdressing and early years training; and if you are male, you will be steered towards construction trades.

**Q88 Lord Lamont of Lerwick:** A reformulation of the targets.

*Professor Unwin:* Yes, that has to be completely rethought and it has to be rethought at community level or even regional level. It has to be much more related to the state of local economies and a proper look at which businesses have the need—

**Q89 Lord Lamont of Lerwick:** And completions.

*Professor Unwin:* Very much, yes. The word “starts” is still used by the DfES and the LSC and that is a term from YTS days, which is about getting enough placements, yes.

**Q90 Lord Vallance of Tummel:** I am quite puzzled by this and the thing that is puzzling me most here is demand. What you have said to us quite clearly is that this is a supply-driven system and I am beginning to suspect that it is supply-driven in part because there is a vacuum in defining demand. If you leave aside what we might call the more mature sectors like engineering and the big businesses who know how to do it, you have a difficulty in determining demand, either by geography or by skill sector. The question I want to ask you is, on both of those what would you think should be the recommendations for improving the definition of demand by skill sector and by geography? How would you do that—if my diagnosis is correct?

*Professor Fuller:* There is a problem with knowing what the demand is, but the demand changes historically depending on what is happening in the economy. Certainly, if you go back to when the apprenticeship system went into steep decline and then new training came in, was that because there was not any demand, or was it because of other factors that would come into play in reducing the kind of sectors that historically have had apprenticeships in manufacturing and so on and so forth? It is quite a difficult question to answer and we do not actually know enough because we have not really conducted a lot of research that has gone into employers and talked to them about their needs in terms of young people recruitment, in terms of workforce development, in terms of their capacity to develop their workforce, young people in particular. If you look at training departments, many companies that we have been into over the last few years when we have been looking qualitatively at different apprenticeship programmes, have lost their training departments as a cost-cutting exercise. Does that

mean they now do not have a demand for training, or do they have an even greater need to cut costs? We have a lot of questions around what that kind of demand is, but it is safe to say that those mature sectors which we talk about have continued to have demand, irrespective of what is going on in the outside world, and that is something to do with the inherent nature of their businesses.

*Professor Unwin:* Another way to answer the question is perhaps to say we also need a deeper understanding of whether the demand is only in certain sectors for apprenticeship and whether we actually need another model of skill formation for certainly parts of the service industry but also for new and emerging sectors that have very dynamic businesses and where maybe this model of training is not necessarily suited.

**Q91 Lord Vallance of Tummel:** I am not even sure that it is a distinction between services and manufacturing, although traditionally the manufacturing industries have the apprenticeships. Is it not something to do with large and small? There are particular services like financial services or telecommunications services, which I know quite a bit about, who were traditionally very good at training and indeed some of them had apprenticeships. The problem is that you have got a lot of fragmentation, very small businesses, spread around geographically, and how you gather from that what they need in terms of either skills or numbers is the core issue. I am not asking a question and I should be asking a question, so could I ask you, do you agree?

*Professor Unwin:* Yes, and that is where Government could do a lot more to look into things like group training associations, particularly for the small and medium-sized companies to share training costs, to provide a broader range of experience for apprentices, yes.

**Q92 Lord Layard:** I wanted to follow that up because I wonder if there is not an alternative way of thinking about it that has less of the manpower planning element to it. If you started actually, unashamedly, from the supply side and you said the problem is, we have a lot of young people who have no skills and we have a system where they can be employed with nobody training them, and you said instead they can only be employed within the framework of training, and then you said that, given that we are requiring this of employers, of any employer employing a young person, let us have a subsidy level which generates adequate demand for all these people, taking account of the needs of the

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firm and the preferences of these young people. What strikes me is that we are spending £3,000 a year on these people. If we gave it to the employers, could we not make such a system work? That would be my question to you.

*Professor Fuller:* There is some scope for starting with the very good employers and infrastructure that there is in certain areas and trying to ask them to expand what they can deliver, and in the same way they can extend and share their knowledge and skills in training and development more widely. It seems to me that a good place to start is with what is working well and looking at the features that contribute to those effective models and then trying to build out from there. There is some scope for doing that and we have been into some organisations which run excellent apprenticeships and they could quite easily extend that beyond their immediate needs and help take in extra.

*Professor Unwin:* Certainly within supply chains there could be a lot more done there.

**Chairman:** We are running a bit short of time. Lord Layard, have you got a question?

**Q93 Lord Layard:** There is still this factual question about the extent to which the number of young people who would like to do an apprenticeship exceeds the number of places or vice versa. Can you tell us how you see the balance in the market?

*Professor Fuller:* Going back to the survey that we did for the Equal Opportunities Commission, the evidence from that was that young people actually knew very little about apprenticeship, very little indeed. Two-thirds had heard of it and those people who had heard of it normally wanted to know more about it. When we followed that up with some qualitative work they knew very little, they had a very poor understanding about what apprenticeship was. Once we told them what it was about, they said “That sounds very interesting, I like the idea of earning and learning, I like the idea of being able to gain qualifications,” and so on and so forth.

*Professor Unwin:* Talking to employers, some employers like BT, for example, will tell you that they have 15,000 applications for 80 places. The problem with some of that is that it is quite anecdotal and there needs to be a much more rigorous survey of employers to try and find out, get some harder evidence. But certainly, as Alison said, our surveys of young people show that they are very interested in this but they all need more information.

**Q94 Lord Sheldon:** Should all 16–18 year olds be in education or training? Where does the balance of advantage lie if you look at it objectively?

*Professor Unwin:* When we discussed this question we were somewhat concerned with that phrase “in some form of education or training,” because it is all a question of what you are going to ask young people to do and what kind of provision there is. At the moment we have too many people in so-called apprenticeships who are meeting the targets of X per cent of young people in education and training. They are on the statistical radar. But we would argue that a lot of them are not necessarily benefiting from what they are doing over and above they are in the labour market. So any extension needs to think very carefully about what the quality of provision is going to be.

**Q95 Lord Sheldon:** What is your view?

*Professor Unwin:* At the moment, no, because I do not think we have the infrastructure or the quality of provision to provide for young people. However, we have to take much more care of our young people, because far too many 16 year olds and in fact 14 year olds disappear from the system.

**Q96 Lord Layard:** How many apprentices are actually directly recruited by a firm that is providing the apprenticeship? Could we imagine moving to a system where all apprenticeships were done that way and the training provider was not the prime mover, the prime mover was the employer and, insofar as the employer wanted to take advantage of the training provider, that was the way it was going rather than the other way?

*Professor Unwin:* That would be the ideal way to go, to have a far higher percentage recruited directly. You would have to put in a structure, though, to help employers at the local level understand how to create a workforce development programme that linked to their different needs so that they could deliver it. At the moment, they get very little help with that because we do not have at local level experienced people who can help businesses develop those programmes, and that is also a problem in the system.

**Chairman:** Can I say to you that you have opened up the subject to us in a fascinating and interesting way. We are very grateful to you indeed for coming along and giving us your view on these subjects and I would like to thank you very much indeed.

## Memorandum by Mr John West

### INTRODUCTION

1. In this note I want to:
  - (a) briefly highlight the importance of vocational education and training in improving the prospects and productivity of young people;
  - (b) portray, in broad terms, the current pattern of participation in vocational education by young people, and consider the extent to which it reflects the findings at (a); and
  - (c) consider the opportunities for, and obstacles to, policies which maximize participation by appropriate young people in vocational education.
2. I shall take “low-skilled young people” to be broadly the lower 50 per cent of the ability profile as measured by GCSE scores.<sup>1</sup> This roughly equates with those who do not get five “good” GCSEs, and also with those who do not attempt A levels and who are unlikely to enter university soon after leaving secondary education.
3. I confine these remarks to the situation in England.

### IMPORTANCE OF VOCATIONAL EDUCATION AND TRAINING

4. We all need to be trained in some sense for the jobs we do. That training may be of a professional nature (typically relevant university study, plus approved work experience in a trainee capacity), it may be wholly given by companies (eg management training schemes by large firms), it can be through apprenticeship (very similar in structure to professional training), or it can consist of technical studies during secondary or university education.
5. The question therefore is not whether or not vocational education and training is a good thing or who should receive it—plainly everyone who goes into work should. The questions rather are:
  - what types of vocational education are preferable;
  - when should people get it (only when they start work, while at school, while at university).
6. Though there has been much debate, and some disputed studies, about whether vocational studies are “better” than academic courses and for whom, it does at least seem pretty plain that formal vocational qualifications can substantially boost the employment chances of those who gain either no or weaker GCSEs (ie the group I have classified as “low-skilled”). A study by Steven McIntosh of the LSE<sup>2</sup> showed that, for those with few or weak GCSEs the acquisition of vocational qualifications after their GCSE courses was strongly associated with being in employment in a person’s early twenties, boosting the probability by some 10 per cent for men who had gained a vocational qualification at Level Two or above, and 20 per cent for women. Though those at work did not always get higher wages if they had achieved vocational qualifications, men with weak GCSEs did have significantly higher earnings than their peers without vocational qualifications, leading one to believe that they had higher productivity.
7. For the group that the Committee is interested in, therefore, it seems clear that pursuing some form of vocational education and training leading to a formal vocational qualification after 16 is likely to be beneficial. We can also say that they are considerably more likely to receive such a relatively formal vocational education in government sponsored apprenticeship or within full-time education than if they go straight from school into the labour market; Joan Payne<sup>3</sup> has shown that young people in employment outside government programmes are far less likely to undertake off-the-job training, have a training plan or to be studying for a qualification.
8. One can corroborate these findings by looking at practice abroad. Evidently a very large number of countries, particularly in Europe, have a firm belief in providing formal vocational education and training after the age of 16, and doing so for as many as possible of those who do not take academic qualifications similar to our A levels. The German-speaking countries have well established apprenticeship systems existing alongside fairly strictly academic higher secondary education. France, Finland, Sweden and the Netherlands have each deliberately built up substantial higher secondary full-time vocational education pathways over the

<sup>1</sup> Though of course they may well have many genuine skills in areas other than those tested in GCSEs.

<sup>2</sup> *The Impact of Vocational Qualifications on the Labour Market Outcomes of Low-Achieving School-Leavers*, CEP Discussion Paper No 621, 2004.

<sup>3</sup> *Work-Based Training for Young People*, DfEE Research Report No 276, 2001.

past 20 years. The formats differ between countries, but there is evidently a widespread, and growing, belief in dedicated vocational education, lasting two to three years for young people who do not take academic qualifications after 16. This is not a matter of special arrangements to deal with disadvantage—it is perfectly mainstream stuff.

9. It is legitimate to ask whether such formal vocational education and training is best delivered through apprenticeship or via full-time education. There is some evidence that vocational qualifications acquired through work-based apprenticeship deliver higher wages (and therefore are associated with higher productivity) than the same qualifications acquired through other means.<sup>4</sup> A major OECD study<sup>5</sup> concluded that apprenticeship was associated with the best transition of young people from school into the labour market.

10. However the OECD study also pointed out that even in apprenticeship countries considerable numbers of young people entered the labour market through vocational pathways other than apprenticeship (eg in Germany most health workers come up through a full-time route), and also made the point that it was very difficult to create an apprenticeship system where none exists. Furthermore apprenticeships tend not to link easily to higher education—making them less attractive to young people who would like this opportunity if at all possible.

11. One can conclude therefore:

- formal vocational education and training helps those with lower skills quite significantly;
- it is unlikely to be available outside the public education and training system;
- apprenticeship is probably the preferred means of delivering such formal VET;
- but apprenticeship arrangements are not always in the gift of policy, and may not be attractive to young people.

#### YOUNG PEOPLE'S PARTICIPATION IN VOCATIONAL EDUCATION AND TRAINING

12. If we accept that formal vocational education and training in upper secondary education is a good plan for those with weaker GCSEs, to what extent do they actually undertake this?

13. According to the Youth Cohort Study<sup>6</sup> some 43 per cent of those with weaker GCSEs were in full time education in their second post-compulsory year, and a further 16 per cent were in apprenticeships or other government supported training. Those doing apprenticeship were clearly undertaking vocational study, but of those in full-time education it seems that around 10 per cent were having a crack at A levels or re-taking some GCSEs. Altogether only a third of those with weaker GCSEs were studying towards the vocational qualifications at Level 2 or above, which we saw earlier were associated with increased chances of obtaining employment.

14. Of the “near miss” category (that substantial group with some good GCSEs but not the “magic” 5) who might be thought to be prime candidates for a thorough and reasonably demanding vocational training in their 16–19 phase (and who certainly would be getting one in the European countries mentioned earlier) less than a quarter were aiming for a Level 3 vocational qualification at 17; a further sixth were still working towards a Level 2 vocational qualification two years after their GCSEs (very probably below their potential)—10 per cent were trying for an A level. Altogether only 40 per cent of this relatively able group, three-quarters of whom embarked on further education or training immediately after leaving school, were aiming for a serious vocational qualification two years later. This looks very much like an opportunity missed, both for the students and for the nation.

15. I have taken age 17 as the critical one, since it is in longer and more substantial vocational programmes that we so evidently fall behind our northern European neighbours. There are in principle three reasons why the group we are interested in might not undertake formal vocational education of a substantial nature:

- they never start on it. This is a primarily a problem of those who go straight into jobs without training or sit outside both the labour market and the education systems from the moment they can leave school (“NEET”);

<sup>4</sup> *The Returns to Apprenticeship Training*, S McIntosh, CEP Discussion Paper No 622, 2004. These results were, however, confined to males and to the advanced level of apprenticeship.

<sup>5</sup> *From Initial Education to Working Life* (2000).

<sup>6</sup> The figures quoted are of 17 year olds in 2005.

- they start on it, but fail to complete the course;
- they do complete a course, but it was a short one, and they do not go on to a higher one.

16. Each of these problems is a factor in depressing vocational achievement for the group we are interested in. The Committee will doubtless get much evidence on the first problem area, and I shall not dwell on it. The other two areas, however, are well worth exploring, as they affect reasonably able young people who willingly take vocational courses, but who are arguably “short-changed” as a result.

17. The dire drop-out rates on *apprenticeship* have been much discussed. They result primarily from the temptations young people have of moving to better paid jobs outside apprenticeship, and (at least as much) from poor management and follow-up by the apprenticeship providers.<sup>7</sup> I believe it will be difficult to do very much about the first factor unless we regulate the youth labour market, but certainly possible to improve the second very considerably—the LSC is now acting vigorously on this, and completion rates are improving.

18. The drop-out rates of full-time vocational courses in college are typically around 20 per cent. Though higher than A level programmes (11 per cent in FE),<sup>8</sup> this rate is not too bad, and has fallen in recent years.

19. The final factor—short courses not leading to anything further—deserves more attention. DfES figures<sup>9</sup> indicate that of those that took the Intermediate GNVQ, a one-year Level 2 course and at the time the most popular post-16 college-based vocational qualification, only a third had gone on to take a further vocational qualification at Level 3 a year later. A quarter had left education and training entirely, and a further quarter had moved “sideways” (or sometimes downwards) into a further vocational course at Level 2 (or below). This pattern of somewhat aimless meandering about the vocational system is common, and leads to people leaving the system earlier than is sensible, and to underachievement of potential.

20. So:

- though vocational qualifications aid employability, particularly for those with weaker GCSEs, relatively few of the people who might benefit from them take a sustained vocational programme of more than one year’s duration;
- this is partly because many young people do not take them in the first place;
- but it is also because they either do not complete the programme (especially in apprenticeship), and because the programme itself is too short and doesn’t in practice lead to a sensible next step.

#### IMPLICATIONS FOR POLICY

21. Where does this leave us in terms of policy? I believe the central thrusts of government policy have been on the right track in recent years, including:

- expanding apprenticeship, marketing it vigorously and countering high drop-out;
- attempting to establish a solid and distinctive vocational pathway within post-16 full-time education, through the development of Specialized Diplomas. This hopefully will rescue this promising route from the disastrous decision to convert the (unspectacular but worthwhile) GNVQ into A level type “AVCEs” which has led to a halving in their uptake.

22. I do not think these two variants of vocational education and training are incompatible with each other, neither do I think they need necessarily be conflated into a single qualification system (some countries do this, others don’t). In practice, if the experience of other countries is anything to go by, we are likely to see some occupations tending to prefer the apprenticeship route, and others to prefer the full-time vocational route. It is important to let these patterns emerge rather than attempting to dictate them from the outset.

23. It is less clear that the introduction of lower levels of Specialized Diploma before the age of 16 is either particularly helpful or is likely to be successful. Though it may aid some, the evaluation of the predecessor *Increased Flexibility Programme* is rather mixed. Though considerable numbers of 14–16 year olds stayed on after 16, the researchers were unable to say that this was because of their vocational programme, and participants seem to have suffered a bit in terms of their overall likelihood of gaining good GCSEs and (rather worryingly) in terms of attaining English and maths.

<sup>7</sup> My paper for the Modern Apprenticeship Task Force, *Improving Completion Rates in Apprenticeship: a comparative and numerical approach*, contains the evidence for these assertions.

<sup>8</sup> Figures quoted are for young people aged 16–18 who start programmes in FE colleges.

<sup>9</sup> These are from a paper provided by the DfES to the Tomlinson review in 2003. I am not sure whether they have been published.

24. There are few examples in northern Europe of vocational specialization at 14, and those countries that have had it in the past have tended to move away from it, leaving vocational specialization to around 16 or later. I suspect it will be difficult to persuade parents of moderately able children that they should not have a crack at getting five good GCSEs; if this is the case the 14–16 versions of the Specialized Diplomas will be confined to the least able, rapidly earning a poor reputation amongst pupils in the third quartile of ability who are precisely those who *should* take the Diplomas after 16.

25. Still, the expansion of apprenticeship and the development of post-16 Specialized Diplomas seem absolutely right. It is now important that these developments are carried through methodically, with patience and with the minimum of distraction from the multiplication of objectives or new “grand plans” that have so often marred previous attempts to construction of vocational pathways.<sup>10</sup>

26. The following points seem important in moving forward on apprenticeship and full-time vocational programmes:

- apprenticeship still needs much marketing, and—particularly—readily available practical and factual information for both employers and young people. Research undertaken for the *Cassels* review showed that only a quarter of employers had been asked if they would consider an apprentice. Although their impressions were favourable, young people and parents had little idea how to apply for an apprenticeship or what one consisted of. Using the Internet it is far easier to find apprenticeship places in a French *Département* or German locality than it is to establish what places are available in an English town;
- there could be a far more transparent market in apprenticeship places. The current structure of intermediaries in apprenticeship (“providers”) may not lead to the maximization of available places. In practice most employers can only offer a place via an intermediary, and once one of these has its full complement of employer places, there is little incentive for it to accept a further employer, who might well prove more attractive to young people;
- it would help if the status and functions of these apprenticeship intermediaries were set out in legislation so that all were clear on their rights and responsibilities;
- attention might be paid to some of the lower level (Level 2) apprenticeship offerings in the service sector. These are particularly important for lower ability young women, who it has been shown are particularly at risk of marginalization if they do not have decent qualifications. Yet these apprenticeships can tend to be short, with little off-the-job training and suffer from especially high drop-out;
- I suspect that solid careers advice to typical young people considering apprenticeship has actually deteriorated since the *Cassels* review. Unlike going on to further full-time education with a set of classmates, entering an apprenticeship is a lonely business (many apprentices are the only one in a firm), and requires a firm career choice. It is a big step and one which especially deserves counselling from an informed and impartial professional;
- on the Specialized Diplomas, the key now is to focus on the essentials. Over-elaborate design, trying to be all things to all men, is a real danger. An unambiguous policy on assessment is particularly needed (previous vocational qualifications have suffered badly from running disputes about internal versus external assessment);
- similarly the issue of “parity” with A levels needs to be addressed in a clear-headed way. If Specialized Diplomas give as great a degree of access to University as A levels, then it seems unlikely that they will be suitable for many of the rather lower ability young people for whom they are needed. But if they do not give access to University at all, even with good grades, then they will not be popular with students or parents. A careful balancing act is needed on this point;
- attempts to “maximize choice” through incorporating many different options within a Diploma runs the risk of making the programme lose brand identity from employers’ point of view and coherence from the point of view of young people. As we have seen, one of the main current defects with our vocational education system is that young people get lost in it and finish earlier than they should.

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<sup>10</sup> The fact that there have been four major reforms of vocational qualifications in the past 20 years (NVQ, GNVQ, AVCE and now Specialized Diplomas and the QCA’s strange *Framework for Achievement*) attest to the temptation to initiate a new reform before the previous one had any chance to become embedded.

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**Examination of Witness**

Witness: MR JOHN WEST, examined.

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**Q97 Chairman:** Mr West, you are extremely welcome. Do you want to say anything or comment on anything before we start, or shall we go straight into the questions?

*Mr West:* Do go straight ahead.

**Q98 Chairman:** If I may ask the first one, I wonder if you would briefly outline for us the range of education and training opportunities open to young people in England and Wales with less than five GCSE passes at grades A\*-C at the age of 16, and I wonder if you would also give us a comment on the advice and guidance that these young people are likely to have had when making these important choices?

*Mr West:* The main education and training opportunities are full-time vocational courses—from memory around 40 per cent of the group that you are interested in would do one of these in college or a school—apprenticeship, which you are obviously talking about, and the number there is around 15 per cent at 16 or 17. There is a programme for the most disadvantaged called the Entry to Employment Programme, which is a sub-apprenticeship—I do not know the proportion but it is relatively small—a few will have a crack at A-levels, but not all that many and at 17 the remainder will not be in any kind of education or training, although they may have had a brief exposure to begin with at 16.

**Q99 Chairman:** And the advice?

*Mr West:* In principle the youngsters can get advice from the Connexions Service, which is the principal independent agency, the Careers Service as was. I have got the impression, I must say, that that is in some state of disorganisation. I cannot give you chapter and verse on that but everyone I have met says it is not working terribly well. It probably does pretty well for the very hardest to help, quite correctly. But I suspect—I cannot prove this—that the upper end of our group, what I would call the third quartile of ability, probably get less careers advice than they did 10 or 15 years ago. Otherwise they will rely on parents, peer group, teachers, but obviously for the group we are interested in their parents and peer group will be less informed than those of the more able youngsters and teachers will know relatively little about apprenticeship, compared with education programmes.

**Q100 Chairman:** Am I right in getting the impression that the system is geared such that these people are already thought of as failures before they even get much past this stage?

*Mr West:* I would like to think, and I am sure I am correct in thinking, that most schools would reject that interpretation and would not think that, and I have no reason to believe that these young people are written out of the equation. Interestingly, they do very much tend to think of themselves as failures, which is an issue.

**Q101 Lord Skidelsky:** We have talked about schools just now. To what extent would the problem of youngsters coming into the labour market with poor GCSE grades be eased by improvement in school standards? How much of the burden of training people could be pushed back to schools, especially in the less demanding apprenticeships?

*Mr West:* It is not wholly reasonable to expect schools to undertake training but I am sure the answer must be to some extent. I am not a schools educator but clearly we have seen improvements over the last decade or so, so obviously things can improve and I see no reason why they should not continue to. Another way to address that question is to look at other countries and see how well do they do. What they call the OECD PISA studies of internationally comparable literacy, mathematics and science show us not to be too bad. We are not world leaders but we are good to average, so what is remarkable is if you take that forward to 18–19, then we have fallen behind quite a lot, which gives me to answer your question by saying yes, obviously to some extent we could improve pre-16, but the key weakness area for us is around the 16 to 19 area.

**Q102 Lord Macdonald of Tradeston:** I have another comparative question really on provision, participation and achievement in education and training in England and Wales compared with other European countries.

*Mr West:* As I was going on to say there, the main difference that strikes me is that other countries will have, whether through apprenticeship or fulltime vocational education, longish courses—I am talking of two to three years. German apprenticeships are for the most part to three and a half years, Swedish programmes of vocational education at three years but certainly two. A lot of our people just do one year and they have left by the time they are 17. Does that answer your question?

**Lord Macdonald of Tradeston:** Yes.

**Q103 Lord Kingsdown:** We have had evidence that a vocational qualification improves the employability of young people and, above all, that qualifications to level 3 are particularly valuable for earnings and employability, but there seem to be some who fail to

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get these qualifications. What are the main reasons why so many of them do fail to do this in fulltime, further education? Why should that be the case?

*Mr West:* To get a level 3?

**Q104 Lord Kingsdown:** Yes.

*Mr West:* It is fairly straightforward. The first reason is that they are put on a level 2 programme when they could have done a level 3 one, so they never had a crack at it. I have a feeling—this may be contentious—that our level 3 in comparison with that of some other countries is possibly a bit difficult, and by that I really mean a bit too academic. The other countries' programmes in our terms—they do not have the same levels—would be level 3 or 2, but longer. The further reason, which you discussed earlier, is that they drop out to an extent—less so now than they did—and if they do go on a level 2 course there is not a level 3 one which they can easily go on to do afterwards. That is my answer—they are trapped, if you like, at level 2.

**Q105 Lord Kingsdown:** Do they drop out because they have been failed by the system earlier in life? Have we got to look to see what is happening in secondary education to get at this? Maybe it is not a relevant question.

*Mr West:* It is a very relevant question. I am just trying to think. I am sure that dropout will be positively correlated with other features of disadvantage. I cannot immediately bring a study to mind, but I would be surprised if it was not. Having said that, I would not say that that was a major reason for dropout. In apprenticeship, which we were discussing before, there are two major reasons: one is that they get lured, as your previous witnesses said, into going into employment without finishing their course, and the other, contrasting it with other apprenticeship systems, were you also get a lot of dropout, but they are put back in. They are counselled and re-inserted; we, by and large, do not do that at all.

**Q106 Lord Skidelsky:** How confident can we be that, where current provision in further education fails, specialised diplomas now under development by the Learning and Skills Council will succeed in increasing the proportion of people acquiring vocational skills? What can we learn from previous attempts to introduce an effective alternative to A level courses?

*Mr West:* I have been tracking as much as I can the development of the specialised diploma and I would say that it is on course and I am relatively optimistic about it personally; I know there are others who are not, but I do hope it succeeds and I do not think there are signs yet that it necessarily will not. The main danger is just making it too complicated, as ever. The

main lessons from earlier attempts—and there have been earlier attempts, which have not always been entirely unsuccessful, I may add—the first lesson is, do not try to mimic A levels. There is a great temptation in the interests of parity of esteem to make whatever you do in level 3 in the post-16 area look like an A level, and that has led to all kinds of curious things. Be realistic about university access: we will not get all these people into university. We are talking about the lower ability range, but again there is a great temptation on the part of the Government at the moment to launch something which is going to be comparable with A levels, and then you try and make it so that more can get into university, which is just unrealistic. But there must be a channel to university for the more able of that group. The last point is there is going to be an issue about other programmes already in the frame. I am thinking of the BTEC nationals. What do you do about those? Do you abolish them? Do you factor them in? How do you reach a point where they are part of the constellation?

**Q107 Lord Skidelsky:** Can you explain BTEC? That is bachelor of technology, is it?

*Mr West:* No. The BTEC national diploma is a long-established level 3 vocational award, very similar to what was in mind with the specialised diploma, but it is a proprietary one; in many respects it is a good thing.

**Q108 Lord Skidelsky:** Do you think that this tendency, when you reintroduce something new to say that it is equivalent to something that already exists, is just to make people feel better or does it have an effect in raising their level of commitment?

*Mr West:* I think it is helpful to benchmark it roughly. In terms of a level 3 in my book you are talking about somebody between 16 and 18 who has to work pretty hard for it and it is going to be well recognised in the labour market. It is a substantial thing. The moment you start to have the same grading structure as A levels, with As and A stars, Bs, Cs, Ds, Es and Fs, when you start having examinations and modules all the same as A levels, you start to split the whole thing up too much, in my view.

**Q109 Lord Layard:** As I understand it, obviously the GNVQ did not give you a ticket for the train so we are moving to more “specialised diplomas”. They still do not give you the ticket for the train. Do you think that is a disadvantage? What advantages might offset that?

*Mr West:* Looking abroad it varies but in Sweden there is no ticket for the train you get for a level three national programme. Apprenticeship classically gives you the ticket for the train in your terms. A full

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time vocational education programme is something rather different. It gives a general basis. As far as I am aware, there is no great problem in getting people who have succeeded in GNVQs to get a job afterwards. I am not aware of large scale unemployment. It was not the sort of thing that was on every employer's list: "I must have someone with this exact GNVQ." It would be a great plus if it were the ticket but I do not particularly expect that to be critical for its success.

**Q110 Lord Layard:** My impression with the GNVQ was that people did not get jobs in the area in which they had done the GNVQ. In that sense there is a weakness in our skills base because people have not acquired the skills which they then use. Is there a danger of that with the specialised diploma?

*Mr West:* At the 16 to 18 phase, it would be something of a waste if people doing a health orientated one did not go into health related professions. I do not know that it would be a disaster but there must be an expectation that people are interested in this area and that the education programme they are doing is likely to increase their chances of going into it.

**Q111 Lord Vallance of Tummel:** Do you think there are particular skills sectors where specialised diplomas might be a better route or path than an apprenticeship?

*Mr West:* It is a bit unpredictable. It is likely that some sectors will be more comfortable with apprenticeship and some will be more comfortable with specialised diplomas. I would not want at this stage to try and guess which ones those are going to be. If I had to, I would tend to think that business administration would be more comfortable with a full time education version. IT probably would too, whereas retailing, construction and engineering I would put money on being more comfortable with an apprenticeship.

**Q112 Lord Vallance of Tummel:** I was thinking particularly of those sectors where apprenticeships have not taken or are not in the tradition, where instead of trying to push the water uphill on an apprenticeship route it might be better to guide the water down the route of a specialised diploma.

*Mr West:* I think that is quite right. If you look at Germany, I think I am right in saying that the health areas tend not to have any apprenticeships at all but offer the full time route. There are some others which I cannot readily bring to mind. It is horses for courses. It is a little difficult to predict. If I were in government right now I would not want to say, "This is the plan. This one is going to have a specialised diploma. This one is going to have an apprenticeship."

**Q113 Lord Vallance of Tummel:** Could you briefly outline the roles and relationships of the parties involved in apprenticeship? That is, the apprentices, the training providers and employers? What in your view would be the benefits or otherwise of legislation setting out the respective rights and responsibilities for any of those involved?

*Mr West:* The apprentice classically gives labour, loyalty and diligence to their employer in exchange for training. The employer undertakes to give access to his or her secrets of the trade to the diligent apprentice. That is essentially the bargain that we still have on paper and to some extent in reality. The training provider is a new beast on the scene. Their job is multifold. They act as a matching agency between young people and employers. They can act as the training department of firms or a collection of small firms. They get rid of the paperwork for them in terms of claiming government grants and all that. They monitor the trainee's progress and to some extent they police employers. If they are not fulfilling their part of the bargain the training provider can in essence kick them out and take the apprentice away, and that does happen. That is a pretty multifarious role. My own view on legislation is that, although it is not a panacea, it would help if that rather complicated role was set out for all to know, because it is partly on the side of employers but it is also partly a monitor of employers. Also, if that were both debated in this place and set down clearly, another feature would be that both apprentices and employers, if the provider was not doing the job, could have some recourse about it. Currently, they can only have recourse to an inefficient provider by taking it up with the LSC and going through their Byzantine contracts. I am quite attracted to the idea that this is on the table and everyone can see the deal. Education is completely surrounded by legislation but there is hardly anything at all for apprenticeship.

**Q114 Lord Vallance of Tummel:** It is the training provider role that you think would be the best place to legislate around?

*Mr West:* I would personally focus legislation on the role of the training provider. Germany is an example where they have "competent authorities" which are outlined in legislation. There might be a case, though I am not wholly convinced, for having an apprenticeship contract as a recognised statutory entity. It is a common law principle although pretty archaic now. I am not sure about doing that. A lot of youngsters value an employment contract and I just worry a bit that having an apprenticeship contract might be seen as second best.

**Q115 Lord Vallance of Tummel:** Would you envisage having a regulatory body for these training providers as part of a legislative framework?

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*Mr West:* I have not thought that through. Pass!

**Q116 Lord Turner of Ecchinswell:** You refer in your written evidence to the problem of inadequate training quality in some service sector apprenticeships. I wonder whether you can expand on what you think the problem is and what we should do about it. As you expand on it, I wonder whether you could be specific about sectors, international comparisons and objectives. Let me explain. We sometimes talk about the service sector. Is it possible to address this while talking about either retailing, hospitality, social care, health care assistance or financial services, basic teller services, call centres or hairdressing et cetera? That gives us a concrete ability to think about many of the jobs the people we are talking about may end up in, specifically by sector. What is going wrong in a specific sector? Secondly, for any of those sectors, are there really concrete, international comparisons? Does anybody do apprenticeships in retail or is retailing just not something where apprenticeship applies? Thirdly, what is the objective here? Is it that we produce more productive retailing—ie, if we had people who were better trained in retailing, our companies would be better able to deliver customer value and be more profitable, et cetera? The counter argument to that is I have seen some suggestions that, if you look at Walmart's extraordinary productivity, they do it with some quite low skilled people which reflects the fact that America has quite a long tail of pretty poor output from the education system. Are we trying here to do something which will ever be in the business interests, or are we trying to address a social externality whereby we are trying to make sure that the person who has that job also has a wider set of jobs so that they do not need to spend the whole of their life doing that job but can do some other job. What should we be doing around giving that degree of specificity?

*Mr West:* In terms of being more specific about sectors, obviously what I say is a bit impressionistic, but here goes. Within the service sector, the problem areas are around the rather flaky view of quality, with not a lot of off-the-job training and of rather short duration. Retailing to a degree, although it is quite popular and works quite well in many respects. Hairdressing I always thought was rather good. They have the best fun of all the apprenticeships and that is interestingly a traditional apprenticeship.

**Q117 Lord Turner of Ecchinswell:** There is a lot to learn.

*Mr West:* There is. The care sector I would worry about quite a lot. If I had to nominate one which I would not be surprised about some exploitation taking place in, it would be the care homes.

**Q118 Lord Turner of Ecchinswell:** Is our concern that we therefore have a whole load of care home assistants who are not very good at their job and provide poor care, or are they providing perfectly adequate care but one would like them to be equipped in life to consider other jobs as well as being a care assistant?

*Mr West:* I am told, and I believe, that the standards in care homes are better after apprenticeship and NVQ training than they were before, so it is a plus from that point of view. I think it could go further. You asked about international comparisons. To answer your specific question, yes, there are lots of international comparisons like retailing. Germany has a sizeable "sales person" recognised apprenticeship. It should not be a problem in looking abroad for parallels. In most of the other trades we have mentioned you would find them in those countries. Your last question is what are we doing it for and is it really necessary. I would have to agree that it probably is not absolutely necessary. Modern industry factors itself round the skill supply that it has and is rather neat at doing that. I did some work in the retail sector recently and it was very functional training and it works, but there is a "deal" here between the state and the industry and you see that expressly in Germany. This is how it started in Germany, I believe. They were going to have full time education up to 18 before the First World War. The employers said, "No, we do not want that". There was a dialogue and the modern apprenticeship system essentially sprang out of that with the state saying, "Okay, you can have some of our young people early so long as you agree to train them over and above the immediate needs."

**Q119 Lord Turner of Ecchinswell:** Or even over and above immediate, medium term needs?

*Mr West:* Yes. That was the kind of deal that was done, I believe. I think that is implicit in our arrangements.

**Q120 Lord Sheldon:** You mentioned apprenticeships in retail in Germany. How long would this apprenticeship last?

*Mr West:* I think it is one of their shorter ones. Two years, I think.

**Q121 Lord Sheldon:** What do they learn in two years?

*Mr West:* I believe they have a lot more product knowledge. They would learn more than our people do about clothes, how they are made and all that. You can debate whether that is efficient or not and I can see arguments why it might not be in the self-service situation, but there is more depth. It may, for the reasons I explained, be, a bit padded out to our eyes, but it provides some depth.

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**Q122 Lord Layard:** Could I ask about completion rates which you talk about in your evidence? How do you think the recent improvements have come about and are there sufficient incentives to encourage completion for both the apprentices and the employers and the training providers?

*Mr West:* Success rates in apprenticeship have risen from around 30 per cent two years ago to 50 per cent now, which is good and going in the right direction. I did a study a couple of years ago looking at international comparisons and, once you have made all the various adjustments to the way figures are counted, I reckon, that to be on a par with Denmark and Germany, we should be aiming at around 70 per cent completion, so there is a way to go. I am a little surprised and suspicious that the rates have shot up so much. I thought that the early gains would be the easiest ones, as they often are, but I am slightly scalded by a previous experience of large incentive payments for NVQs in the earlier versions of apprenticeship and Youth Training where there were a lot of games going on, with people creaming off the best people and filling up forms which ought not to have been filled up, from time to time. I have no evidence that that is happening now. I do not place an awful lot of faith in financial incentives for the reasons I just gave. A modest payment—which sometimes happens—to the trainee is a perfectly good plan and a number of providers and employers do just that. I am sure it helps. At the end of the day what you need to get completion rates up is a career service which tracks leavers, identifies them and points them back on to the programme, which many of them would like to do. Research evidence has shown that a lot of leavers would very happily do an apprenticeship again if they had a chance but they are lost in the system. Publication of data at every level so we know which providers have high rates of leaving and which do not, so that we can start to zero in on the ones that are weakest, is to some extent being done and has led to good results. We need much clearer information to young people, parents and employers about what is involved in apprenticeship. When we did the study for the Cassels Committee on apprenticeship, the market research showed that people had no idea how long an apprenticeship would be. Quite a lot thought it was about six weeks and in that sense it is not surprising that they leave after six weeks. To be a little more penal about it, not sending further trainees to employers who habitually recruit their apprentices before they have completed, which you heard before a number of them do. I can understand why it happens but we do not want to send them another one.

**Q123 Lord Sheldon:** You want a more transparent market in apprenticeship places. Why are the current arrangements inadequate?

*Mr West:* You heard from your previous witnesses about the way the system works. Young people approach a training provider classically as they leave school and they will then fix them up with an employer who is on their books. In practice, many young people approach employers direct and sometimes those are not with a provider, so then the employer has to find a provider who will have them, as it were. This is a bit muddled for the following reasons. One is, unlike a local firm, the provider is not a well known creature. I looked up some names. “Concord Professional Development” does not leap to the imagination if you are a parent wanting an apprenticeship for your youngster. “First Choice Training” does not immediately impress itself on you. Firms cannot engage an apprentice unless they are already signed up with a provider which means that when a firm does want an apprentice a match is made outside the system. If they say, “I have an apprentice and I want the free training that goes with the package,” a provider may say, “Sorry, we are full. You cannot have one. We have exhausted our contract with the LSC. Come back next year.” In the legislation we were talking about earlier, it would be nice in my view to have a duty on providers to take employers who met the quality standards, so that an employer who wanted to engage an apprentice could compete with many other employers who might not pay as much or have a lower quality or whatever. We stop the market working to some degree here.

**Q124 Lord Layard:** Are you saying that an individual firm cannot go directly to its LSC and offer an apprenticeship and get funding for it if it is willing to bear the training costs? I used to have the impression that you were in favour of moving the system that way, where the employer recruited the young person directly and placed them with whoever was good at the further job training or did it themselves. Have you given up on that aspiration in favour of accepting a system where the training provider is the cornerstone of the system?

*Mr West:* If an employer agreed to enter an apprenticeship contract with the LSC—and that is a big commitment in terms of paperwork, to be the prime contractor—in principle the LSC does not have to have that employer but in practice they probably would. Only the largest firm who is very committed would countenance that kind of commitment. If a small firm who has just recruited one apprentice approaches a training provider to get access to the system, if the training provider with the best will in the world has already fulfilled their quotient of places, they are bound to say no. They do not have any money left over for it. I do rather favour the view you ascribe to me. Something like the training provider is necessary as part of the equation but I would like to see it ideally in more reactive mode

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as a service provider rather than as a prime mover. An awful lot of marketing of apprenticeship needs to go on. The main reason why employers do not offer apprenticeship is because no one has ever suggested that they might. Half of all employers have never been approached about an apprenticeship in the first place. The providers that we have can and do do that. If we just said goodbye to them, we would have a major marketing programme problem on our hands. I agree with you. I think they should be ideally in service mode rather than the main protagonist.

**Q125 Chairman:** You referred in your written evidence to the problem of inadequate training quality in some service sector apprenticeships. I do not know whether you want to add any more.

*Mr West:* I said which ones I thought they were but I did not say what might be done about it. Having a bit more theoretical content—I am not talking about completely changing the basis of the whole thing because it will be a gradual process—borrowing as we discussed from other countries for models; increasing modestly the duration of training from the minimum, which tends to be a year now, up towards, say, two years. A lot of them say in these lower performing sectors that they need a flexible apprenticeship and particularly that youngsters do not want to go away and do academic training. When you look at the successful sectors with good completion rates, they are characterised by having more theoretical training, so I do not think there is evidence that this is going to put young people off, but obviously it is a gradual process to be done with the sectors concerned.

**Q126 Lord Macdonald of Tradeston:** The Leitch Review has suggested further expansion of apprenticeship places but in your evidence you suggest that this may not be in the gift of policy and may not be attractive to young people. What further steps might be taken by government departments and agencies to address these issues?

*Mr West:* To further expand apprenticeship? As is evident, apprenticeship is a market-based programme and there will be years of glut and years of shortage. One has to live with that. It is part of the beast. Some expansion is possible. As we have already discussed, much better public information is needed about what apprenticeship is. So many people have not heard about how you can get it, although interestingly everyone has a very instant grasp of what it should be. It is a well known, much loved term in many places. Lots more marketing to employers. I am convinced there is a large, unmet demand from employers in many sectors. Loosening up the provider structure which acts as something of a closed shop, preventing people getting access to apprenticeship. I do not have chapter and verse on this, but I suspect that there have been some difficulties over funding and amounts of money being in the wrong box in the machine from time to time. I am not arguing for more funding but more responsive funding in the system.

**Q127 Chairman:** Thank you very much. We have had a very good afternoon. I certainly feel I know a bit more about the subject now than when we started and for that we are grateful to you.

*Mr West:* I probably know more about it too.

#### Supplementary memorandum by Mr John West

I should like to clarify my views on the question of the desirability of legislation about apprenticeship training providers, and changes in their funding arrangements.

As Professors Unwin and Fuller have explained, at the same time as performing certain specialised training functions and completing paperwork which would be beyond many of the firms taking an apprentice, the training providers also have the effect of diminishing the involvement by firms in the content of training, such that often they are passive on-lookers to a training package dictated elsewhere.

To some extent the “distancing” of the content of training from an individual firm is a feature of all apprenticeship. In Denmark, for example, the content of off-the-job training is largely centrally dictated and cannot readily be customised for individual firms. In Germany there are centrally set training “frameworks”. Nevertheless in these countries firms see the trainees as “theirs” more so than is the case in England, and take a keener interest in their progress. They are certainly familiar with the training syllabus even though occasionally they may not see it as enormously relevant to their enterprise.

It seems to me, therefore, that to some extent the training provider “gets in the way” between the firm and the apprentice, and—as well as relieving the firm of paperwork—actually also relieves it of responsibility and involvement. Further, as I explained in my evidence, the fact that young people interested in apprenticeship need to apply to relatively unknown training providers rather than to well-known local firms detracts somewhat from the promotion of apprenticeship. And I am not very happy with the fact that all the public money for an apprentice goes to a training provider to divide up as they see fit between off-the-job training fees, their own costs, incentives to trainees and (occasionally) to employers. This is not transparent and there

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must be a temptation for providers to minimise expenditure on fees for off-the-job training, or to prefer to try to do it themselves rather than contract it out even when they may not have the expertise.

These are the reasons why one might want to dispense with the role of the training provider and give public funds direct to the employers who would arrange the training directly, or (if they found it helpful) hire a training provider to do it for them.

However, although we should encourage individual employers to take responsibility where they want to (the facility is there for them to do so, though few actually do), I think it would be too big a step to *require* employers to contract direct with the LSC, thus cutting out the training provider altogether. Training providers do rustle up apprenticeship places by persuading employers to take part, and they do find places for trainees who want an apprenticeship, or who have become displaced. With weak careers services, and no local marketing personnel in the LSC, we would be very vulnerable to a downturn in apprenticeship take-up if providers were suddenly to vanish from the scene.

Instead I think we should moderate the role of providers by:

- recognising them in law, specifying what they are expected to be responsible for, and what they are not. Mirroring the German regulations for Chambers of Commerce, for example, would entail training providers being charged with registering trainees as apprentices, assisting firms in a geographical area or industry sector with the fulfilment of apprenticeship frameworks, monitoring and reviewing the suitability of employers' facilities, monitoring the progress of apprentices and arranging for the assessment of trainees. The clear specification of such duties—partly helping firms, but partly also monitoring them—would lend clarity and also allow firms, trainees and parents to challenge providers when they exceeded their powers or fell down on their duties (something that they cannot do now other than by complaining to the LSC who holds the contract with the provider). The Secretary of State (or perhaps the LSC) would have the power under delegated legislation to designate organisations as recognised training providers or to withdraw such recognition under certain conditions;
- paying providers for what they do (ie the functions laid out above), rather than expecting them to administer the total funds available for each apprentice. I see no reason why those providing off-the-job training (which is the costliest item) should not claim direct to the LSC, in the same way as colleges providing full or part-time courses outside apprenticeship currently do. I would not debar a training provider from offering off-the-job courses themselves, but they could claim separately for these. So rather than getting block funds to distribute as they see fit (including to themselves) they would get paid for providing specific services, whether the service of administering local/sectoral apprenticeship arrangements, or the service of providing off-the-job training; and
- by the same token I would no longer expect training providers to be accountable for all aspects of quality in apprenticeship. On the face of it, currently they are to blame if one of their employers (for example) fails to comply with equal opportunities or health and safety requirements. It is for them, rather than inspectors or the LSC, to remonstrate with a college if the off-the-job training is poor. Yet in practice they can do little in either case, so in a way they have accountability without power.

One has the feeling that the current arrangement is convenient for the LSC and the Inspectors (because they can blame the providers if things go wrong and the providers won't create a fuss), for the employers (because nobody bothers them) and even for the providers (they may get blamed by all sides, but at least they get all the money!). But it is a system which is sub-optimal in that it actively discourages employers from shouldering rights and responsibility, while focussing accountability on essentially peripheral organisations.

*February 2007*

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TUESDAY 6 FEBRUARY 2007

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Present	Kingsdown, L Lawson of Blaby, L Layard, L Macdonald of Tradeston, L Paul, L	Sheldon, L Skidelsky, L Vallance of Tummell, L Turner of Ecchinswell, L Wakeham, L (Chairman)
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**Examination of Witness**

Witness: PROFESSOR ERNST BUSCHOR, Swiss Federal Institute of Technology, examined.

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**Q128 Chairman:** Professor Buschor, we are grateful to you for coming over from Switzerland to help us with our inquiry. The normal procedure is for us to ask you some questions, as you know, but if you would like to start by saying anything by way of preliminary remarks at the beginning, of course you will be very welcome to do so. I am also bidden to say to everybody, to remind ourselves and to say to you, if you speak up and speak relatively slowly, then we have a better chance of getting an accurate record of what you say. Would you like to say something to start off with or would you like to go straight to questions?

*Professor Buschor:* My Lords, firstly I am extremely honoured to have a discussion with you, coming from a small country, with this big and famous board. So I would like to make a short introduction in order to explain a little of the context of Swiss vocational education. I have here a small publication on the system and you can distribute it afterwards or now. But first let me say a few comments on the context. In Switzerland vocational education and apprenticeship is very popular; 60 per cent of youths make an apprenticeship and this number has been stable for 10 years. The contrary is the case in, for instance, Germany, which has fallen in ten years from 50 to 40 per cent, and similarly in Austria. This high level of apprenticeships has several reasons. First, we have a very strong selection to the baccalaureate. We select only 20 per cent of youths into the baccalaureate, so we have a relatively low number of academics in Switzerland. We have a considerable difference between the German speaking and the French speaking areas. Here you see the influence of neighbouring countries; in the French speaking area the number of baccalaureates is 10 per cent higher and the number of apprenticeships 10 per cent lower, and in the German speaking area we have the lower end of academics, of baccalaureates as well as a higher number of students. The cultural background is playing a major role in the individual country. Secondly, we have made several reforms in professional education. The newest reform dates from 2000 but probably more important is the reform of 1995 when we introduced the vocational or

professional baccalaureate. We introduced this professional or vocational baccalaureate because we had a decline in the early 1990s in the number of apprenticeships. It was more or less a closed way—you make an apprenticeship and then it was a problem how to go further on; you could not go to university, but you could not go to higher advanced certificates. You could not do any tertiary studies. Therefore, the federal government enacted a Bill in parliament with a new system of University of Applied Science. We started it in 1995, You can enter into such a university with the so-called Vocational Baccalaureate. You make an absolutely normal apprenticeship but you will have more lessons in school and you learn more cognitive things like maths and languages. You make the professional baccalaureate in the same delay, like an apprenticeship. You are allowed to enter in the University of Applied Science. The development of the University of Applied Science is a success story. Today each fifth apprenticeship has the Vocational Baccalaureate, so 20 per cent of our apprenticeship students enter the University of Applied Science. We have the strong regime that academic baccalaureates cannot enter into these universities if they do not work at least one year in an enterprise. So we really train applied science, specialised but on a tertiary level. This has considerably increased the attractiveness of our apprenticeship system. Today we have no problem with the transition. But we have problems with sufficient apprenticeship places. We have as well problems in the entrance of Apprenticeship. We have a considerable number of weak students. I underline that these reforms are very essential to keep a high social prestige for the vocational education in Switzerland and to keep this level on 60 per cent.

**Q129 Chairman:** Thank you very much. Could I start by asking you to what extent does Switzerland experience a problem with the proportion of school leavers at age 15 to 16 who have not mastered basic literacy and numeracy? And what steps are taken to improve literacy and numeracy after the end of compulsory education?

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*Professor Buschor:* The proportion of poor performers, in maths as well as language, is 10 per cent, and this ten per cent are mainly immigrants. So we have a considerable problem to look after these people. We provide special courses and special year courses that are not part of the apprenticeship in order to reduce their linguistic and mathematic deficit. But in a lot of cases the deficit in the social competence of these students is as big as the intellectual deficits. They have a lack of competence, they are not reliable, they are not exact, they are not punctual, they are not willing to learn or to perform, and these deficits are probably more important than the pure deficit of mathematics and of language. Therefore we try to motivate these people in the cognitive way as well as the other fields and this usually takes a year. It is a study outside the professional scheme; it is a supplementary school year, with more or less success. The problem with this is that these people enter later, at 17 or 18, into apprenticeships and are then 20, 21 or even 22 when they finish the apprenticeship. We have as well a relatively high drop-out of these people in apprenticeships. The drop-out rate must be shared in two types; one drop-out rate is to change to another profession and they have to start again at the beginning in an apprenticeship, and the second is that they leave the system of secondary education fully. I would say it is half and half and the drop-out rate of both is about 20 to 25 per cent.

**Q130 Lord Sheldon:** How do you help young people between the ages of 15 and 18, who are in full time employment but have not had any training?

*Professor Buschor:* If they are in full-time job they have no support. In school institution if they reject to visit a school they can visit special courses, up a year. Here we compensate for deficits. For students who are weak we have a special opportunity now, since the new vocational legislation, that they can make a so-called “attest”. If they are in this intermediate tier this year does not account for apprenticeships. If they go to a so-called attest, it is a shortened professional education of a very low level, in two years, and if they make this shortened professional attest they can afterwards change to a good professional education.

**Chairman:** I am afraid I have to stop you here because the bell has gone and we have to vote. We will be back as quickly as we can.

*The Committee suspended from 3.47 pm to 3.55 pm for a division in the House*

**Q131 Lord Layard:** You have already said something about the proportion of school leavers who go into apprenticeship in Switzerland and Germany, but could you explain a little more at what age people go in, how they come to go in and what the trends are in

these two countries and any others that you think we should know about?

*Professor Buschor:* As I said, Switzerland is stable at 60 per cent of youths, which is exceptional, I would say, even worldwide. It is a strong selection of baccalaureate schools but it is as well, I would say, a high prestige of professional education in Switzerland. The more popular way is the baccalaureate, I would not deny this, but, if so many people go the other way, it is an important and recognised way as well. In Germany and in Austria, we have a decline of professional education—in ten years it has gone from 50 to 40 per cent; and in Germany it is mainly the lack of apprenticeship places. Actually, they have a lack of 600,000 apprenticeship some places, and this is very high, which leads as well to a supplementary structure like vocational colleges and intermediate tiers. Mainly these intermediate tiers before entering a profession are very important in Germany. In Germany, the mean entrance year in an apprenticeship is 18, after having finished the school period and a two-year wait period because of lack of apprenticeships. This is unsupportable in the long term. Therefore, vocational colleges have been developed and the percentage of youths making a baccalaureate has increased considerably. So there is as well a tendency to more baccalaureates, to full time vocational colleges and a trend down in professional education. In Austria it is not so strong but it goes in a similar direction. If we go to the reasons, that Germany in general has big problems to find places for apprenticeships in firms. In all three countries only about 30 per cent of firms have apprenticeship places. But in Switzerland there are mainly big firms but in Germany there is a tendency to medium or even smaller firms. For this reason the percentage leads to a lower number of places in Germany than in Switzerland. This has a lot to do with cost. In Germany an apprenticeship costs a firm several thousand pounds. In Switzerland, you will see from this documentation that will be distributed, if we look at the net cost for apprenticeships for firms it is zero or nearly zero. We have had very sensitive reactions if we ask more from the firms in training. Suddenly the number of apprenticeships declined in some activities; enterprises are very sensitive to this point. Second, we have nearly a zero situation because we try to keep a high productive time of students in firms. In Switzerland the productive time where students work for the enterprise is about 50 per cent of total work time of the student; in Germany it is one-third or even less. So if you ask too much from firms it gives a net deficit even if they work for the enterprise, and if the net deficit is relatively high, firms do not make new jobs. One point that is different as well between Germany, Switzerland and Austria is the compensation for students in

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Professor Ernst Buschor

apprenticeships. It is relatively low in Switzerland—it is about £200 to £300 a month—and in Germany it is much higher. So there is a high compensation combined with a low productive time, with relatively high net costs. I do not believe that the professional education system can in a global economy survive with very high costs for the enterprise per student.

**Q132 Lord Turner of Ecchinswell:** Could I ask two questions? The first is to clarify the different segments of the market, because we have a particular concern with the people in the UK who do not go into academic education—what you would call the baccalaureate—but also do not go into formal training, and we have quite a lot of these people. I am trying to understand whether you have that segment in Switzerland and whether you are worried about them. I think you said that 20 per cent go into the baccalaureate and 60 per cent go into apprentices. Does that imply that there are 20 per cent of young people who are not in any form of training, and what are the policy concerns and policy approaches to that group? My second question is if you can comment on apprenticeships across sectors: are apprenticeships equally used and equally high prestige in hospitality, in retailing, as they are in manufacturing, or is there a different approach in different sectors?

*Professor Buschor:* First, the difference of 20 per cent. We have as well some vocational colleges but they take only 3 to 4 per cent of total students, so it is not important. Then we have, as I said, the so-called attest, which is a shortened, reduced vocational diploma that allows you to make lower activities, but it is not a fully vocational professional apprenticeship. This is about 6 to 8 per cent, so we are a little bit over 90 per cent of students having some kind of secondary degree. Then we have between 8 and 10 per cent of students that make almost no further education, except of course the unemployment insurance scheme, or whatever, and this is really the problem, that we try to keep them in smaller education schemes. But we have this population, which is mainly immigrants, and there is usually the risk that they become working poors. We try to get them to go back into some kind of education, but usually it is not a full vocational apprenticeship. To the prestige of the people in this field there is dual modelling. Switzerland and Germany came from manufacturing; it was the base of the system and it was still based on manufacturing. Today it is important in commercial activity of the service society, to have a growing number of commercial baccalaureates. In the commercial field the competence in language, in mathematics and so on is growing. We have a tendency that the big banks, for instance, try to get baccalaureate and train these baccalaureate people themselves to the activity in the banks. So this is the danger, that if the degree of

cognitive knowledge and foreign language must be very high, then professional apprenticeships come to the limit because this lower commercial competence is not sufficient in international banking. In health we have a special scheme that is some kind of three-fold education. It is the first year of pure school and then two years a dual system with half school and working in a hospital. This first year of full school is necessary because we believe that it is not possible to have young students of 15 or 16 in difficult situations in hospitals or in homes. So we make a first phase of school training and then after about two years in the dual system between a school, hospital, and a home. With staff on selling we have the problems that more and more international firms try to keep staff who have no professional education because it is cheaper than trained staff. So this is a problem in the field of lower activities like cash services in shops.

**Q133 Lord Paul:** Could I ask a supplementary question? One of the things we are finding is that there are quite a few careers where in earlier times it was possible to have no academic knowledge and to be trained properly to do those jobs, but those industries have, with machinery, et cetera, become much more sophisticated and they need a basic strong knowledge to be able to be properly managed. So how are you dealing with that?

*Professor Buschor:* We have the problem, for instance, in the banking sector where you need sophisticated knowledge of financial markets and you need several languages. But in a lot of cases people with an apprenticeship compensate cognitive knowledge by higher social competence. We detect in our studies that an apprenticeship gives a feeling on how an enterprise works and how you act in a team and how you cooperate with other people. If you have people from full time education usually their competence to work in an enterprise is lower but their cognitive knowledge is higher. This is a difficult balance between both, and apprenticeship people have a considerable advantage. We detect today that university students who work at least half a year or a year in an enterprise have a much better chance to get a job than students even with an excellent diploma if they go into an enterprise. I think one of the reasons why we keep this system is that you can in fact compensate, with social competence, some cognitive competence and you can learn it afterwards.

**Lord Paul:** What is the role of the Swiss employers in determining the training and education content of the apprenticeship?

**Q134 Chairman:** Professor, may I just say that we are running a little short of time and we have a lot more questions.

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Professor Ernst Buschor

*Professor Buschor:* Yes. The role of the enterprise is important because the professional association develops curricula and the curricula must be agreed by these associations with the federal government, so no curricula without associations of enterprise and they keep costs down for enterprises.

**Q135 Lord Vallance of Tummell:** You mentioned federal government there. What about at canton level? Is there a government influence at that level? Specifically, is the apprenticeship bound by legislation in Switzerland?

*Professor Buschor:* The legislation of apprenticeships is fully federal. The strategy is done by federal government in corporation with enterprises and the canton runs a school according to federal legislation.

**Q136 Lord Skidelsky:** Can I ask you a question about how the apprenticeship system is administered in Switzerland and what the particular role of the employers is in determining the training and education because this is something we have been talking about here, whether it should be mainly a government agency that is the provider or whether employers provide the training. How does it work in Switzerland?

*Professor Buschor:* The employer has the responsibility to train the student in a practical way. He is responsible for schooling. The employer associations—together with schools—are responsible for final examinations. Employers have a big influence in the conception of curricula. So they take a high responsibility for the success of students.

**Q137 Lord Skidelsky:** Who provides the training?

*Professor Buschor:* The school training is done in the cantonal schools and the cantons have the control over the employers, whether they make a pass or not, but there is no perfect control. One weak point in Germany, Switzerland and Austria is that we do not have very developed systems of quality insurance in this area. This is actually a problem and it will be reduced; it is in preparation.

**Q138 Lord Kingsdown:** Are drop-out rates a source of concern or is the completion of apprenticeships satisfactory?

*Professor Buschor:* We do not have exact statistics; the drop-out rate, as I said, is about 20 to 25 per cent. One part is with a new start in professional education and one part is a definite drop-out. We do not have the exact statistics. In Germany the drop-out is statistically 28 per cent. It is a little bit higher than in Switzerland. In Austria it is about 22—a little bit lower.

**Q139 Lord Macdonald of Tradeston:** With apprenticeships in Switzerland do you develop transferable skills to improve the employability of young people?

*Professor Buschor:* Yes. We detect that after five years of professional careers 50 per cent of people with vocational training do not work further on the professions they have learnt. This is interesting that we have such a high transfer, and we have no increase of unemployment. This is probably the fact that these apprenticeships give a relatively high social and entrepreneurial competence so that people can change.

**Q140 Lord Lawson of Blaby:** I apologise for the fact that I was not able to be here when you first appeared before us. If I may—because this is a matter of great preoccupation in this country—go back to the first question you were asked about basic literacy and numeracy, which is a real problem in this country. It is scandalous that it should be so but it is a fact and we cannot deny it, and of course modern aspects of literacy and numeracy, like computer literacy and numeracy, have to rest on the base of fundamental literacy and numeracy. Is there anything, in the short time that you have left, that you could add to help us on this front?

*Professor Buschor:* It is essential in these initiatives that we start earlier, I would say from the age of ten to 12 years, with a type of mentoring of young people to prepare them for the world of apprenticeship. This mentoring is done by different organisations and in different forms. Perhaps one is to give a prize because they have made excellent cooperation and they are assured of a space in an enterprise, from the age of 12 onwards, in the field they are interested in. Second, we have a tendency that state schools should not produce ten to 15 per cent of people who are not able to start an apprenticeship. We try to improve our schools system so that they are better prepared to enter a profession. State schools can train social competence as well in day schools. So school reform is essential. We should probably start earlier with schools, with five years or six years. School must decrease the percentage of poor performers.

**Q141 Chairman:** This may sound a bit contradictory, but is the supply of apprentices increasing? Are the numbers increasing?

*Professor Buschor:* No, it is stable but the number of youths is declining. For demographic reasons we have a diminishing number of youths and a more or less stable number of jobs. So we would have a much bigger problem if we did not have a demographic decline of young people.

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Professor Ernst Buschor

**Q142 Lord Sheldon:** After their apprenticeship can they move on to higher education in some form or another?

*Professor Buschor:* From apprenticeships, as I said, 20 per cent make the baccalaureate and most of them go to a university of applied science. Second, we have as well the possibility of advanced certificates like auditor, comptroller, and so on. This is not a tertiary education, it is a higher secondary education, but in the economic value it corresponds to an academic degree, and this is some 3 to 5 per cent going this way. Then we have as well a transfer of students going from the bachelor degree of the applied science university to the university. With the bachelor degree of an applied science you can go to a university and even make a PhD. It is not very often the case but you can do it.

**Q143 Lord Layard:** I just want to go back to the other end, to those people who do not go on to an apprenticeship. Are there people who are employed by employers without receiving any training, or is there something that makes that impossible?

*Professor Buschor:* There are various forms. It depends. If there are unemployed in the unemployment scheme, then they have to undertake training. Others, they can leave without education to work somewhere and are not working poor, and others go to the transition system of the state. So everything happens and we do not have exact statistics on it.

**Q144 Lord Layard:** But an employer is free to employ a young person without providing any training?

*Professor Buschor:* Yes, it is possible, but probably he will not provide any kind of training because employers do not have schools. If school training is linked they must go in some public system; a private system does not exist to provide school. But for this ten per cent of people there is this very wide system from working poor to working, to transition systems and social security and so on.

**Q145 Lord Turner of Ecchinswell:** Can I be completely clear on this? If we went to a large retailer or a hotel or a hospital, a significant scale of employers, would we find 17 year olds working for

such companies who were just employed and were doing no training?

*Professor Buschor:* You would find it, yes.

**Q146 Chairman:** Do employers get any financial assistance to take on apprenticeships?

*Professor Buschor:* We have cooperative training systems run by employers for introducing courses that are merged between several enterprises and these centres of introduction in the first year of apprenticeship and are managed and run by enterprises but they are granted by the cantons and the federal government. This is the only way where grants go to enterprises.

**Q147 Chairman:** So that is financial assistance for the educational part of it?

*Professor Buschor:* Yes.

**Q148 Chairman:** There is nothing in order to pay the apprentice a wage that is any way subsidised?

*Professor Buschor:* No.

**Q149 Chairman:** Do they get a living wage?

*Professor Buschor:* It is paid by enterprises but the federal public authority does not pay anything to the employers.

**Q150 Lord Vallance of Tummell:** Is there any sign that employers in Switzerland are concerned at the relatively low level of percentage of young people taking baccalaureate degrees? By comparison with the rest of Europe this is quite low and if you were in Germany there would be a concern. Is that a concern in Switzerland?

*Professor Buschor:* It is less criticised by enterprises. Switzerland has a low proportion, and I must say that the qualification of immigrants in Switzerland is higher than the mean qualification of Swiss people. We import a lot of highly educated people, mainly from Germany. So we do not train enough. But it is less criticised by enterprise than by OECD.

**Q151 Chairman:** That sounds a very effective way for a country to operate! Thank you very much indeed, that has been very helpful and very clear and we appreciate you coming to give us very helpful answers.

*Professor Buschor:* Thank you as well from me. I wish you success in vocational education.

### Memorandum by the CBI

1. The CBI is pleased to submit evidence to the Economic Affairs Select Committee. Employers believe that education and skills must remain at the top of the Government's agenda. As Lord Leitch makes clear in his recent review of future skills needs, the UK has a long way to go if it is to remain competitive over the next 20 years. Employers recognise that we have no other choice but to improve our skills base.

2. But the UK's current skills profile is very much a "patchwork quilt" of strengths and weaknesses. Poor basic skills remains the biggest problem—whether we look at the "inflow" of young people coming through the education system or the "stock" of adults in the workforce. Poor workforce skills affects UK productivity and competitiveness—and the UK has a much higher proportion of adults (23 per cent) with low basic skills than France (17 per cent) and Germany (12 per cent with low literacy, 7 per cent with low numeracy).
3. The groups that are expected to show the largest expansion demand in the next 15 years are at the higher end of the occupational spectrum<sup>1</sup>. Associate professional and technical occupations will represent a 15 per cent share of employment growing at a rate of 1 per cent per annum, an increase of 680,000 workers. It is difficult to predict future patterns of employment more accurately. It is therefore essential that unskilled young people are given the right opportunities to improve their skills and Government policy must focus on:
- ensuring all school leavers are numerate and literate;
  - improving careers advice to ensure young people properly consider all the options open to them; and
  - recognising the importance of intermediate skills and apprenticeships.
4. Finally, in relation to employment opportunities for young people:
- labour migration does not appear to have had an adverse effect employment for unskilled young people in the UK.

#### ENSURING ALL SCHOOL LEAVERS ARE NUMERATE AND LITERATE

5. Employers are concerned that too many young people leaving the school system at 16 do not have the skills they will need to succeed in life or in work. Poor literacy and numeracy skills damage people's lives and their employment prospects. Those with poor basic skills are more likely to suffer higher unemployment, lower earnings and poorer chances of career progression, and social exclusion. They are also less likely to be able to contribute to improved business performance.

6. At present only 45 per cent of young people leave school at 16 with an A\*–C or above grade in both English and Maths.<sup>2</sup> Although there have been improvements in primary school, with increasing attainment levels, 9 out of 10 (90 per cent) of those who fail to meet the standards expected at 11, fail to get A\*–C GCSEs by 16. Problems with basic skills manifest themselves in the workplace; the CBI's 2006 Employment Trends Survey<sup>3</sup>, showed 45 per cent of employers were unhappy with school leavers' literacy and 44 per cent with their numeracy skills.

7. In the light of members' concerns, the CBI's prepared a report, *Working on the Three Rs*,<sup>4</sup> (sponsored by the DfES and attached for information) which defined the numeracy and literacy skills necessary to be competent in the world of work. On literacy, the CBI's "Three R's" report showed that reading basic text is a vital skill for the workplace and that writing a short report, with legible handwriting, are also key. It is important to consider reading and writing separately as they are different skills—and they should be assessed separately too.

8. A good grasp of basic numeracy is also a vital tool for work and life and is used in a wide variety of contexts—from checking change in a supermarket to reading work cards. The ability to interpret and respond to quantitative data is also a key part of modern working life—there are charts, graphs and tables in most workplaces. It is important that employees understand these in order to contribute to problem solving and quality improvement to make high performance organisations.

9. The Government has promised to make functional skills a part of new English and Maths GCSEs, the new specialised diplomas and adult basic skills qualifications. The Government has said that young people will not be awarded these qualifications if students have not achieved the basic numeracy and literacy standards; which may be equivalent to a level 1 qualification. While this is welcome, employers do expect young people to have the skills commensurate with a C or above at GCSE level (level 2). Therefore while functional skills modules within GCSEs should offer a welcome strengthening to the system, they cannot replace the goal of having more young people achieving a C or above. The CBI believes that:

- 90 per cent of young people must have achieved the basic skills modules at level at 16 via specialised diplomas or English and maths GCSE;
- 70 per cent of young people should have skills levels equivalent to a C or above in GCSE English and Maths at 16; and

<sup>1</sup> *Projections of occupations and qualifications*, Institute for Employment Research, 2001.

<sup>2</sup> DfES 2005.

<sup>3</sup> *Employment Trends Survey*, CBI/Pertemps, September 2006.

<sup>4</sup> *Working on the three Rs—Employers' Priorities for Functional Skills in Maths and English*, CBI/DfES, August 2006.

- 80 per cent of young people should achieve a similar level of competence in basic skills at 19, whether through an apprenticeship or other training.

10. The CBI has worked with the Government to develop the “Train to Gain” programme so that it delivers the support low skilled workers’—and their employers’—need. The scheme provides flexible, tailored training to employees typically in their workplaces. The programme was piloted in several UK regions under the name “Employer Training Pilots” and, by autumn 2005, 15,000 employers and 80,000 learners had signed up. “Train to Gain” has been supported by employers because it delivers high quality training often in the workplace and fitted around the needs of the particular business. High quality brokerage is key and brokers need to make a convincing business case on the benefits of participation—one which links raising employees skills with the firm’s business strategy.

11. Employers have generally been very supportive of the Train to Gain approach. More would get involved if employee eligibility could be made more flexible. Currently, employees already holding a Level 2 qualification are not eligible even though it may be out of date or irrelevant—a woodworking CSE for example—and may not mean that the employee has adequate numeracy and literacy skills. Some individuals, who would have benefited from vocational qualifications are not eligible.

#### YOUNG PEOPLE ALSO NEED EMPLOYABILITY SKILLS TO BE SUCCESSFUL AT WORK

12. Of course there are other basic skills that are vital for success in the workplace—employers expect young people to have the right “employability” skills. These skills are transferable between jobs and sectors—and are relevant to all businesses. The CBI has undertaken work during 2006 designed to identify these key employability skills. Consultation with members indicate that the eight key skills here are:

- self-management;
- team working;
- problem solving;
- communication—application of literacy;
- business awareness;
- customer care;
- application of numeracy; and
- application of IT.

13. Young people also need to have the right attitude towards work—they should be motivated, enthusiastic and willing to learn. Typically employers say: “we view recruitment as a ‘80/20-type rule’—20 per cent being the hard skills and 80 per cent the soft skills, so we are looking more for an individual’s desire, determination, motivation and attitude.” In a recent CBI survey<sup>5</sup>, almost half (47 per cent) of employers expressed disappointment at the attitude of school leavers towards work.

14. Employers would like young people to have a basic understanding of business. The majority of employers (70 per cent) are disappointed with the young people’s lack of business awareness. This does not mean that employers expect young people to be trained by school to do a job—rather that young people have sufficient understanding of the concepts of profit and loss, and of the importance of customers to a business. Without this basic knowledge young people find it difficult to grasp the importance of, say, customer care in securing the profitable future of the firm and its employees.

15. Appreciation of the need for employability skills and business awareness can be developed through good quality work experience with focused tasks designed to embed them. For example, communication skills could be developed by an activity such as drafting a letter or reporting on customer feedback in a meeting; team working skills through helping a colleague; or IT through searching a database for relevant information. Our report on work experience *Time well spent—A guide to embedding employability in work experience* to be published in February 2007 will set out ideas to improve work experience to the benefit of firms and school students.

<sup>5</sup> *Employment Trends Survey*, CBI/Pertemps, September 2006.

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#### SPECIALISED DIPLOMAS COULD HELP EMBED THE BASICS

16. Improving the quality of vocational education is important. Specialised Diplomas are intended to offer a more specialised and career-orientated education and to offer interesting and engaging routes into further education or training and the workplace. The Government is keen to secure buy-in from employers, schools and universities, but while CBI members have supported the concept of Specialised Diplomas, a number of concerns remain. It is essential they do not become second class options—the default choice for the disaffected and less able as this would undermine their credibility as a high quality alternative to GCSEs.

17. The quality of the Specialised Diplomas will depend on the input of the Sector Skills Councils (SSCs) who have been taking a lead in the development of the Diplomas. It is essential that each SSC accurately represents the needs of employers in the sector as employers do not have the resources—and should not be responsible—for the delivery of the Diploma curriculum. However, some firms have suggested that problems may arise in certain sectors in delivery of the new diplomas.

18. Suggestions that up to 25 per cent of the curriculum for 14–16 year olds should be delivered in the workplace have raised concerns as to the capacity to provide quality work experience for the number of students interested. Particular problems will arise in sectors such as energy and utilities sectors where health and safety issues are paramount. There may be also issues for schools and colleges providing quality work experience in particular geographical areas where the local economy does not have sufficient sectoral coverage to reflect students' chosen Diplomas.

19. Specialised diplomas must meet employers' needs not only by providing a relevant curricula but also in terms of quantity. Employers are concerned that students will prefer a Creative and Media diploma rather than one in Health and Social Care or Engineering—good careers advice is therefore essential. For example, students should be given advice about the interesting and well-paid careers available to them if they study science or engineering.

20. Concerns have also been raised around the numbers of sufficiently qualified specialised teachers who have experience of the sectors concerned. Initiatives to recruit specialist teachers are essentials if the Diplomas are to offer quality and inspirational options for young people.

#### IMPROVING CAREERS ADVICE TO ENSURE YOUNG PEOPLE PROPERLY CONSIDER ALL OPTIONS

21. CBI members have expressed concern that young people are ill informed about their future career options. The CBI's *Employment Trends Survey* 2006 shows 52 per cent of employers are dissatisfied with school leavers' knowledge about their job or career<sup>6</sup>. This is a poor reflection on the current standard of careers advice. Employers believe that it is essential that young people are able to make informed choices about the range of education, employment and training options available to them. But employers are not expecting young people to emerge from schools and universities in the skills necessary to their jobs.

22. The CBI has expressed concern for a number of years about the lack of high quality, impartial and universal careers advice. These concerns are well-justified—OfSTED inspections in 2004 showed that 48 out of 49 local areas have failures in the area of Information Advice and Guidance (IAG).<sup>7</sup> Poor careers guidance certainly helps explain high non-completion rates for apprenticeships—two-thirds of apprentices do not complete the full programme and 45 per cent of those not completing their apprenticeship programme cite a lack of clear information on the course prior to starting it.

23. Employers wish to ensure that young people are presented with a full range of choices, including university or sixth form colleges, apprenticeships and other vocational options. In order to promote work-based training options, high quality, independent advice and guidance is essential. Improved careers advice would also help address the causes of the gender pay gap and the occupational segregation that exists in some sectors. The CBI's evidence to the Women and Work Commission pointed out that 97 per cent of those studying for apprenticeships in childcare were women whereas the number of female engineering and construction apprentices were 3 per cent and 1 per cent respectively. At graduate level, female engineering and technology graduates numbered just 14 per cent of the total.<sup>8</sup> The careers service has a key role in challenging misconceptions of young people and providing good quality information, advice and guidance on the options available to them. The Women and Work Commission emphasised the need to have national standards to ensure the quality and impartiality of advice that young people an understanding of the rewards and challenges of all options, particularly those not traditionally taken up by their gender.

24. The CBI has recommended that:

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<sup>6</sup> *Employment Trends Survey*, CBI/Peremps, September 2006.

<sup>7</sup> OfSTED 2004.

<sup>8</sup> *Choice at Work: Women, the labour market and the gender pay gap*. CBI evidence to the Women and Work Commission, February 2005.

- young people are guaranteed guidance at ages 11, 14 and 16—one-to-one careers advice from qualified practitioners to ensure young people receive advice at critical points;
- experienced and knowledgeable advisers with experience of the labour market and the world of work are essential;
- work experience should be improved to help deliver increased understanding the world of work—the CBI's report *Time well spent* aims to improve work experience in raising awareness of the need for employability skills and knowledge of specialised sectors such as science and engineering; and
- careers advice should be impartial—advice on vocational routes is often poor quality and not communicated well to young people and there is a worrying bias, with some schools promoting academic options above other post-16 routes of progression.

#### RECOGNISING THE IMPORTANCE OF INTERMEDIATE SKILLS AND APPRENTICESHIPS

25. CBI members report that many employees are competent at level 3 (A level and equivalent), but lack formal qualifications. In Germany for example, 74 per cent of the workforce is qualified to level 3, compared to just 37 per cent in the UK. The UK ranks 20th across the 30 countries of the OECD for its intermediate skills levels. However, this may be because other countries are more successful in turning competency into qualifications. But it does not indicate that the UK has necessarily a less competent workforce.

26. Research by IRS for "*The Competency Benchmarking Report*" found that competency frameworks are now used by the majority of organisations in the UK, with two thirds of larger employers with operations in the UK using competencies. The research found that employers were using competency frameworks for training and development, performance management and recruitment and selection. A competency-based approach is regarded as essential where technical competencies are used to inform the analysis of training needs.

27. The Leitch report suggests strong growth in apprenticeships in order to increase the number of Apprentices to 500,000 a year. Key to any successful Apprenticeship programme is a dedicated and highly-qualified training staff who mentor and support young people through the apprenticeship and associated self-development and team-building activities. Employers also recognise the need to involve parents in the recruitment and support of young apprentices. Many CBI members have very successful apprenticeship programmes. Anecdotal evidence indicates that more employers are looking to re-engage with apprenticeship programmes after not being involved for some years. Others are coming together under sectoral initiatives to build new programmes—and they are finding excellent FE Colleges and private providers to help them.

28. If such new initiatives are to succeed there are a number of issues that will need to be addressed:

- at present completion rates suffer because young people lack the appropriate basic skills and many are unable to adapt to the requirements and expectations of working life;
- too few understand what an apprenticeship will involved—or are ill-informed about a particular career;
- the quality, take-up and completion rate of apprenticeship programmes will improve if bureaucracy is reduced: this will also help smaller firms who need additional support as they lack the dedicated training experts that larger firms employ;
- the age threshold for apprenticeship programmes should be reviewed. Many employers would welcome taking on older apprentices but current funding rules prohibit this; and
- measures to facilitate SME participation should encourage them to collaborate with other employers in their sector or locality. Some Sector Skills Councils such as Cogent are looking to co-ordinate employers' activities on apprenticeships to make them more accessible to employers, particularly the smaller ones.

January 2007

### Examination of Witnesses

Witnesses: Ms SUSAN ANDERSON, Director of Human Resources Policy and MR ANTHONY THOMPSON, Head of Skill, Pensions and Employment, CBI, examined.

**Q152 Chairman:** Good afternoon, you are very welcome to come along to help us with our inquiry. You were listening to what was going on and so you know the routine. I am always asked to say to people when they come, if they could speak up and speak slowly so that we get an accurate report of what is going on. Do you want to say something at the beginning before we go on to the questions, or do you want to go straight on with the questions?

*Ms Anderson:* If I could make a few remarks about how important we feel the whole education and skills agenda is. It is certainly at the top of the Government's agenda but I think it is also very much at the top of the employers' agenda. Clearly, we want young people to have the basic skills in numeracy and literacy; we want them to have a very positive attitude to work and we also need particularly to focus on the science and maths skills where we have some real shortages, particularly in terms of young people emerging from our universities. Also, I would say that employers see themselves as part of the solution to this. Clearly, we need to articulate what we mean by numeracy and literacy and what we mean by employability skills. We can play a role in terms of providing much more worthwhile work experience and, as we mentioned in our paper, we are doing a report on that to be published this year. Obviously, businesses need to play a role in developing the new specialised Diplomas. Finally, we can also play a role in improving careers advice, so that young people realise what sort of opportunities are available to them, both at apprenticeship level and also in terms of these new specialised Diplomas. So it is an area where we are very positive and we recognise that we have a role to play.

**Q153 Chairman:** Thank you very much. Could I start with the questioning? What, in your view, are the main reasons for the productivity gap between the United Kingdom and the other leading economies?

*Ms Anderson:* Clearly, skills are part of that gap and Lord Leach in his report suggests that around a fifth of the productivity gap between France and Germany is because of our poor relative skills. He also points to evidence suggesting that around 15 per cent of the productivity gap between the USA and ourselves is because of less use of effective management practices in UK manufacturing firms compared to USA firms. We were somewhat cheered by the report from the World Economic Forum, which suggested that the UK remains in the top ten—although only just—in terms of our being one of the most top ten competitive economies in the world. I think we would agree with a lot of their analysis, and

so we have a lot to be proud of to build upon in terms of market efficiency, competition, availability of finance, and certainly around technological innovation. But we need to do better in terms of company R & D, and also government investment in promoting R & D; certainly in the availability of scientists and engineers; and also in terms of more investment in infrastructure and education. So I think we have a complex picture in terms of productivity. Obviously, migrant workers have helped boost our productivity because they have helped fill skilled gaps and shortages, and certainly we have some very high performing sectors and some very high performing firms. If we are talking about the pharmaceutical sectors or aerospace sectors, we do have sectors that we can be really proud of, that are world leaders. Certainly if we look at sectors like car manufacturing I do not think we need to think that our workers in Nissan are less productive than those in comparable plants in France or Germany, for example. There are lots of issues which explain the productivity gap. In a nutshell, skills have to be part of bridging that gap.

**Q154 Lord Sheldon:** Has the demand for skills changed over the past few years or is it much the same as it always was? If there has been this change, how have the employers reacted to that?

*Mr Thompson:* I think there has been a change over recent years, and certainly if you look at some of the statistics that are contained in both Lord Leitch's interim report and final report you can see a shift in the share of employment by qualification, and also by occupational group over recent years. We have seen an increase in the share of employment by qualification moving towards the higher qualified end of the spectrum; and certainly we have seen, between 1994 and 2004, a three or four per cent increase in the share of employment at level 3 and level 4 and a similar increase at level 5 and obviously a commensurate decrease at lower skill levels. In the same period the Leitch Report also shows that the share of different occupations has grown in more highly qualified areas, so Lord Leitch has shown from some of the research that they have done within the Treasury team that there has been an expansion in the number of managers and senior managers, professional occupations, associate professional and technical occupations and we have seen a commensurate decrease at the lower end. In terms of what CBI members have been saying to us over recent years—we do an annual employment trends survey, which we have been doing since 1999—we have seen a general increase in the numbers of employers reporting significant concerns about skills

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shortages. In 1999 around 15 per cent of employers were reporting a significant concern in that area and last year that figure was around 30 per cent of employers reporting a significant concern arising from skills shortages. There has been a stabilisation over that period or a stable outlook, if you like, on the numbers of employers reporting concerns about skills gaps—it has been around 10 per cent in our survey data. Then to answer the second part of your question in terms of how have employers reacted, I think the difference between skills shortages and skills gaps is an important differentiation to make here. If we are talking about skills shortages, we have very specific sectors that have experienced particular problems—sectors like construction, health and social care, the hospitality sector—and, as Susan was just mentioning, here the role of migrant workers has played a significant role in filling some of these skills shortages at the bottom end. On skills gaps, we are seeing a combination of factors being used by employers, who have been bringing in migrant workers at the highly skilled end—we have seen an increase there. We have also seen an increase in the amount of employees being trained and also the volume of training going on in workplaces as employers try to invest more in skills. We have also seen a more positive trend in terms of trying to engage older workers in employment to maintain and retain the experience and knowledge that they have. So there has been a different reaction from employers to some of these trends.

**Q155 Lord Turner of Ecchinswell:** May I first just clarify what you were saying about construction, health and social care and hospitality? Were you talking about a perceived shortage of workers at wage rates that people are willing to pay or a shortage of skills? That is, is it employers saying, “I just cannot get somebody who has plumbing and electrical skills”? Or is it somebody saying, “I am willing to pay £5.50 to somebody to serve coffee and the only way that I can get that is because there is an immigration flow because there is a shortage of workers but, actually, I am not too worried about the skills”? Is this different by sector or are you saying that in hospitality and social care as well as in construction you have employers saying that local people do not have a set of skills which, for instance, some new immigrants might have?

*Ms Anderson:* Let us divide the different sectors. In construction it is that they do not have the skills, and when we have had a demand for those construction skills, whether it is plumbing, electrical, plastering or whatever, then migrant workers have come in to fill those skills shortages. The same is also true to a certain extent in care where certainly we have been bringing in nurses from outside within the EU and certainly outside the EU as well. Then we have also

had just a shortage of people. So in hospitality employers report that they cannot find members of the indigenous workforce who are prepared to do those jobs. Even there there is an issue of attitude and what employers are telling us is that it is partly that people do not want to do these jobs at the wages that employers are prepared to pay; but, also, when they do get people they do not have very good attitudes. So if we are talking about those young migrant workers, who may be way over-qualified for a job but they want to brush up their language skills, they are motivated, they really want to work and they want to be here. Then when faced with the choice of a surly UK worker or a bright, enthusiastic Pole, there are not too many choices there. I think with the hospitality and catering sector we are seeing a mixture of both—not enough people want to do those jobs but of those who do many of them have poor communication skills and certainly not very good attitudes.

**Q156 Lord Vallance of Tummell:** Your evidence suggests that many UK employees may be competent but not formally qualified. So there are two questions on that. The first is, why, in your view, have NVQs not led to a better alignment between competence and qualification? Secondly, if there is not this alignment and the employees are competent, does it matter?

*Ms Anderson:* I think we would start from the proposition that competence matters more than qualifications. Employers want competent people to do the jobs and they are prepared to train their workers to be competent. That is the number one priority for the employer. But employers recognise that employees value qualifications, particularly those who lack any qualifications at all. So—and this is an aside really—the Train to Gain Programme has been really successful because to give an individual a qualification when they have felt a failure for most of their working lives before because they emerged from school without any qualifications. Qualifications matter to individuals and of course qualifications help label ability because if you are an employer a piece of paper that says, “This person is competent” can be very valuable to you when you are looking to recruit. So why have NVQs not worked? I think they have worked to a certain extent, but I think we need to look at the different sectors again. There are certain sectors where they tried to work within the NVQ framework but found that because of the bureaucracy and, perhaps, because of the national occupational standards from which the NVQ is drawn, they did not reflect the competencies that that particular employer needed, and the employer withdrew from that NVQ framework and said, “We will train our people but because the NVQ is not a good match for the sorts of competencies we are

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looking for we do not see the value of giving that qualification.” Indeed, employers will tell us, in retailing, for example, that if one of the good retailers with good training has trained you to be a butcher or a baker, you do not actually need an NVQ that says you are a competent butcher or baker because the fact that you have been trained by Asda, Tesco or Sainsbury’s, et cetera, means that that is sufficient. One of the issues is, is it better to have an employer training—“I have been trained by Sainsbury’s to be a butcher”—than an NVQ in butchery if it is better to have the Sainsbury’s certificate? So some of the NVQs are not adding value for employers, most of the value is for the individual, and therefore that is part of the problem. Some of the problems for smaller firms is that what you have to do to prove that your competence to achieve to a qualification is, again, a bit bureaucratic and also time consuming and expensive. If you have brought your people to competence, maybe you are not going to spend an extra ten or 20 per cent on top of that training cost when training already costs you more because you are a smaller firm and you cannot get the economies of scale. In those circumstances employers may well think, “The qualification is important to that individual and might make them go and get another job, but it is not going to help me.” So again for the smaller firms there is a cost part of that equation.

**Q157 Lord Kingsdown:** I suppose most people would accept that poor basic skills are clearly an obstacle to higher earnings and career progression, but if that is so, how is it that this message has failed to reach generations of young people now and generations of people who are now low-skilled workers because they have not done anything to improve themselves in the past? This is an employment psychology question probably, but if you know the answer to that it would be of great help to us.

*Ms Anderson:* A lot of young people emerging from school have had a poor experience. Maybe they have emerged without any qualifications and they have been turned off education and they do not have that piece of paper that says they are competent. Some of them don’t need the piece of paper, to be honest; they actually do have adequate numeracy and literacy but they do not have the qualification—it is not that they are completely innumerate or completely illiterate and many of them just need a bit of help to get them up to that level of numeracy and literacy. I think part of the issue has been that those young people who leave school, maybe not with five good GCSE equivalence, tend not to have been given enough information about the alternatives. For example, if we look at the academic evidence, relatively few young people receive good careers advice. The Association of Colleges did a survey a year or so back and that indicated that only half of the young people

had decent careers advice. The other half effectively had no careers advice at all or less than an hour’s careers advice in that key 16–19 stage of their education. One of the other problems, of course, is that they have no advice at 14–16. Again, that can be a problem. One of the things the CBI wants is to have young people having good careers advice at all the key stages when they are 11, 14 and 16. We want good careers advice at all stages and advice on the non-academic options. Where do people get their advice from if they are considering an apprenticeship? More young people got advice from their parents about the benefits of doing an apprenticeship than did from a careers office. That is a worrying statistic, I feel. When they do get advice, they get stereotypical advice. Young girls are encouraged to go off and do childcare. 97 per cent of apprentices in childcare are young girls and 97 per cent of the apprentices doing engineering are boys. That is going to affect your lifetime earnings and certainly your career. Poor careers advice is one of the key reasons why at school young people do not see some of the opportunities available to them, get turned off education, do not go down some of the vocational, specialised routes that would enable them to end up with the high skills or intermediate skills and progress into the foundation degrees et cetera. Better careers advice should be for all ages. If you missed out at school, you tend to miss out on any careers advice, you became disaffected, and did not get any qualifications and the skills. You need support and help to identify where you can go to get those skills later on in life. Again, that is why the Train to Gain initiative has been helpful in that respect, because it has identified people with poor skills in the workplace and given them skills that are relevant to their particular employment.

**Lord Kingsdown:** It is most encouraging to hear the experts say what the lay person instinctively feels is the situation.

**Q158 Lord Macdonald of Tradeston:** We are told that other countries allow slower learners more time and more teaching to achieve their basic skills standards. Does the CBI consider that this approach might help to achieve their aim of 90 per cent of young people acquiring basic skills? Are there other options?

*Mr Thompson:* The CBI might profess to be expert at certain things but not at education and teaching. There has obviously been some success in what the Government has been doing over recent years in terms of literacy and numeracy hours. That has had a direct impact on some of the achievement and success of young people in schools where teachers have been able to take time with school students to reinforce basic skills. The other issue we need to keep close attention on is those school students who achieve a certain level at age 11 but then maybe

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plateau or move backwards after that. Their basic skills are not reassessed again at that level in any fundamental way when they are 16. In terms of whether slower learners should be given more time, in all honesty, we would probably have to look to the experts to decide whether that was the best way forward.

**Q159 Lord Lawson of Blaby:** One of the advantages of coming at the end of the queue is that I have had the benefit of listening to what you have been saying. I was struck that, in your answer to our Chairman's opening question, you identified as major problems numeracy and literacy and poor standards among large numbers of youngsters, which is something on which we have had a great deal of evidence. You also referred to the problem of basic attitude to work. This came up again in your answer to Lord Turner's question where you referred to this as being a major problem and you referred to surliness. That rings a bell with a lot of us here. I would like you now to think outside the CBI policy box, based on your own experience and knowledge. There is a problem here. What is the source of the problem? Is it the way children are brought up in the home? Does it lie in the schools or possibly many in the teaching profession being hostile to business and that whole world? Is it the social security system? There must be some reason why there is this problem in this country. What, in your great experience, is the source of the problem and what is the solution?

*Ms Anderson:* The question on productivity was hard; this one is equally hard. How it manifests itself for employers is around attitude.

**Q160 Lord Lawson of Blaby:** It may be that it is employers and managers that are to blame because it is one of the jobs of employers and managers to motivate employees. That can be done partly through financial means but there are other ways too in which you can motivate people. Maybe the whole problem lies with the standard of management among employers and managers in this country. That is another possibility, so add that to the menu from which you choose.

*Ms Anderson:* So many things to choose from and so little time! There is an issue around profits and business. We know from some of the surveys of the general population that views about the business community are pretty poor. Business leaders are not well respected. I think we scored higher than politicians and journalists but we are fairly low down as business people in the pecking order of people that the general public look up to and aspire to be like. Low awareness of the profit motive and the commercial realities lead to poor customer care skills. If you are not aware and do not realise that your business needs to make a profit in order to succeed,

you will not treat the customers well. They are an irritant who just happens to wander into your establishment, whether you are a hospitality establishment or a pub, a bar or a shop. Lack of awareness that making a profit and therefore your customer matters is certainly part of the problem. Is business to blame? Partly because we do not sufficiently motivate young people to realise that working in business is interesting, exciting and rewarding, which is why in a small way we are looking at making work experience a way of trying to turn young people and saying, "Come and see what it is like. Take a tester. See what it is like to work for two weeks in a good hotel, in a good care home or in a pharmaceutical or an engineering firm." It is about making young people understand what the skills are that employers want and part of that is attitude. It is employees who want to be there and want to work and maybe that is as important, sometimes more important, than qualifications. Sometimes, some young people—and they can be the qualified young people—say, "I have all the qualifications. Come on, excite me, interest me. I expect everything on a plate. Where is the senior management team? How can I fulfil my potential?" That is not sometimes just amongst the disaffected; it can be over expectations amongst the highly qualified young people. I am afraid I am going to have to duck your question because I do not think I know why we get disaffected young people coming out of our schools. It is probably all the things you mention but I would not want to put any particular weight on anything.

**Q161 Chairman:** Let us accept that you do not know the full answer. In your written evidence, you refer to the role of work experience in developing employability and other skills. Then you suggest doubt that there is sufficient work experience available for the specialised diplomas to meet employers' needs. My question is a perfectly practical one. How can these problems be overcome?

*Mr Thompson:* We really do see work experience alongside careers advice as being the key way of engaging school students, showing them what the modern workplace is like and giving them a clear idea of what employers expect from them. One of our roles is to define more clearly what some of these generic, attitudinal and employability skills are that we are looking for, whether it is very basic customer care skills, communication skills, business awareness, problem solving, or team working. These are all things that you can identify and demonstrate to young people very easily in the workplace, which are not always as easy to achieve in the classroom. We are currently carrying out a work experience project and have done a lot of research with our members. We have found a huge amount of engagement amongst the broader British business community for

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offering work experience placements, but there is a huge difference between offering two weeks' work experience where somebody might come in and shadow one of the directors or sit with the marketing team for two weeks and see what happens in that area, and what is being proposed within the specialised diploma proposals. Our understanding of the specialised diploma is that up to 25 per cent of the curriculum is intended to be work-related learning. Our initial concern was that that meant 25 per cent of the school calendar year, which is obviously a massive increase on the two weeks. We were concerned about capacity there. The Department for Education and Skills has assured us that only a proportion of the work-related learning is meant to be delivered within the workplace, but we are looking at proposals here that would lead to employers being part of delivering the curriculum, not just demonstrating the modern workplace, which is a big difference. We would like to see some more evidence and statistics for what the capacity is out there for delivering this 25 per cent of work-related learning. The Department and its advisers have been saying that they will only roll out specialised diplomas when they are assured that there is capacity. That is welcome because we do not want to roll out the diplomas when there is no capacity.

**Q162 Chairman:** My question was, how is this problem going to be overcome. You have very eloquently discussed the problem but you also discussed it in your written evidence. The question is, how can it be overcome? Do you think the CBI and your members have a role in this?

*Mr Thompson:* We have to raise awareness ourselves with our members. Sector Skills Councils have an absolutely crucial role here. At the top of our wish list on specialised diplomas is that the curriculum is designed in a way that meets employers' needs but is also made relevant to students. If we are talking about engaging students and getting them interested in these new routes, we have to make the curriculum and the course design relevant to their needs. We have other issues on our wish list: that basic skills are embedded within the curriculum properly, that it is backed up with thorough careers advice, and that more is done to promote and sell the specialised diplomas to students, their parents and employers to make sure that people see this as a viable and attractive route. In terms of your specific question, employers have a role to play and employers' organisations have a role to play in raising awareness, but the focal point of that should be through the Sector Skills Councils who can have a very specific impact on designing the curriculum. They can ensure that it is relevant to employers' needs.

*Ms Anderson:* Cogent, which has the chemical sector in it as part of its footprint, has been working to bring particularly medium sized companies in that sector together so they can offer a full apprenticeship, because sometimes, if you have a lot of medium sized or smaller firms, they cannot offer the full curriculum on an apprenticeship. They have been saying, "How can we get together to ensure that young people get the experience from a variety of employers?" where one employer either perhaps cannot afford to provide it all or does not have the capacity to provide it all. Again, we might find that is perhaps a useful model for the specialised diplomas.

**Q163 Lord Sheldon:** The careers advice service seems to be inadequate. This seems to be very clearly your point of view here. It is an important service. Why has it been neglected?

*Ms Anderson:* I think it has focused on the most difficult children and young people within our system at the expense of everybody else, effectively. Because it has been focused on the disaffected, how can we engage with them? The needs of the average student have been probably pushed to one side, which is why we see so little careers advice being offered to young people in our schools. Even where it is offered, it is often not impartial. It is offered by the schools themselves so they tend to be promoting the academic route, so very little advice, not always impartial. One can understand why successive governments have wanted to target those young people who are likely to end up as not in education or in training. That is why resources have been focused on them but the chickens are coming home to roost now when we see young people not getting good advice and choosing stereotypical careers and dropping out of things like apprenticeship programmes because they receive such poor careers advice they do not realise what they are taking on. Part of the problem with our very high drop-out rates from apprenticeships is because the young people did not have a good idea of what they were taking on when they entered that apprenticeship.

**Q164 Lord Sheldon:** Surely when they ask for careers advice they are not asking just for the academic route. The academic route may be one but surely they must be thinking in terms of real jobs?

*Ms Anderson:* When the young people receive advice typically from the school, in the school context, very few of them receive advice about an apprenticeship route, for example. The figure is something like 81 per cent of students who receive no information about apprenticeships and a third of all apprentices receive information from their parents. The schools careers advice is not, I am afraid, giving them unbiased advice about all the available routes.

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**Q165 Lord Vallance of Tummel:** How can more employers be encouraged to offer apprenticeship places? Secondly, is it possible that employers might choose to use Train to Gain to improve the skills of employees rather than apprenticeships? If so, is there any conflict between the two?

*Ms Anderson:* To answer the first part of the question, which is how can we get more employers offering apprenticeships. The apprenticeships that are offered by employers tend to have very good completion rates. While the average completion rate is around 40 per cent, those that are offered by employers have much higher completion rates and our members have 90 per cent completion rates. It is preferable that apprenticeships are delivered by real employers. What prevents them offering more? Part of the answer to that lies in the sectoral approach. If we look at the chemical sector, it used to be dominated by some big giants, the ICIs et cetera of this world. The sector is now fragmented into a collection of medium sized firms. The Sector Skills Council called Cogent is saying, "We recognise that we need more apprenticeships and we have to collaborate together." Having the Sector Skills Council working together with the different medium sized firms to offer a full apprenticeship is certainly a route that would be worth exploring in other sectors, particularly where you have medium and smaller sized firms. Another issue that would be worthy of being explored is the issue of red tape and bureaucracy. Not all members speak highly of the apprenticeship programmes themselves. Because the apprenticeship programme does not necessarily reflect the competences that employers are looking for and because they over-emphasise the theoretical, where you have young people some of whom have not gained high levels of numeracy and literacy that an employer would want, they end up falling by the wayside because, to be frank, they do not have the skills to succeed. They could be competent but they cannot write the theoretical stuff that the apprenticeship is demanding. I am not arguing for dumbing down but, if we are getting employers saying, "Why bother to offer an apprenticeship

because the people have the skills but they do not finish, because they cannot get over the core competences which require high levels of numeracy and literacy", I think maybe we need to look at those issues more separately and see whether we cannot ensure that the numeracy and literacy aspects are delivered in a way that delivers value for the employee and for the employer. I do not think we can say hand on heart that that happens at the moment. Again, it is bound to lead to employers thinking: "Is this programme delivering for me because I am trying to squeeze young people through the sausage machine to come out with an apprenticeship that is not always adding full value for me as an employer?" *Mr Thompson:* On the second part of the question, there is always a potential danger that we see the Train to Gain programme as just about basic skills. What is different about Train to Gain, and what is potentially very exciting about it, is that there is a brokerage system at the very heart of it. There is an independent broker whose job it is to go into the workplace and get an independent skills audit or skills review of the employer and identify the skills needs that are in there. Yes, part of their objective is to promote basic skills training and, where there is public funding there, to make sure that the employer knows that there is public funding for the basic skills training; or, if there is not public funding, they might need basic skills training. The broker can also, and should also, be used to promote other routes and other levels of training. I think there is a danger that we see Train to Gain purely about basic skills and forget that there is this fundamental, different element of the package of a brokerage system. The absolute key to getting Train to Gain to work is that the brokerage system delivers independent advice that employers trust and see value in. Part of that is not getting bogged down just in basic skills but having the whole range of skills levels at their fingertips.

**Chairman:** Thank you very much. We have covered a lot of ground and we are most grateful to you for coming along and helping us with our inquiries. It is much appreciated.

### Supplementary memorandum by the CBI

5. *Other countries allow slower learners more time and more teaching to achieve basic skills standards. Does the CBI consider that this approach might help to achieve their aim of 90 per cent of young people acquiring basic skills? Are there any other options?*

The CBI "Working on the Three Rs" report has defined what employers mean by functional literacy and numeracy. We are working with the QCA to ensure that this definition is embedded in the functional skills modules which will be part of the "offer" for 16 year olds. Depending on the young person's ability this could be done through:

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**GCSEs**—we feel that no one should get a C at GCSE without passing the numeracy and literacy module. But QCA and DfES are considering whether functional skills could also be assessed and reported separately. This would give a greater sense of achievement to those pupils who do not get a C at GCSE but manage to pass their functional skills modules—if it takes some students longer to get there we don't have a problem with this.

**Specialised Diplomas and Apprenticeships**—it is essential that the literacy and numeracy modules are also part of the “vocational offer” ie specialised Diplomas and Apprenticeships. This would give young people another opportunity to have their functional skills assessed and recognised if this hasn't be done previously.

Greater flexibility could help achieve the target of 90 per cent of young people equipped with basic skills—giving students a longer chance to acquire these skills would be worthwhile.

9. *Might employers choose to use Train to Gain to improve the skills of young employees in preference to apprenticeship? Is there potential here for a conflict between competing government training programmes?*

Train to Gain is primarily a business solution—giving employers access to a skills needs assessment and to training courses that meet business needs—some of which may be funded by Government (eg basic skills).

Apprenticeships on the other hand equip employees with a vocational qualification, based on both theoretical and work-based knowledge and skills. It also has a key skills component to ensure that the Apprentice is equipped with the right employability skills to do his or her job. The age threshold for Apprenticeship programmes (currently at 25 years old) should be reviewed. Many employers would welcome taking on older apprentices but current funding rules prohibit this. Funding should be offered to all workers, irrespective of age, without a level 3 qualification (A level equivalent).

Train to Gain and Apprenticeships shouldn't be seen as potentially conflicting programmes. They are genuinely different, but have the potential to complement each other—Apprenticeships should be one of the many training opportunities offered by Train to Gain brokers.

*February 2007*

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TUESDAY 20 FEBRUARY 2007

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Present	Layard, L Macdonald of Tradeston, L Paul, L Sheldon, L	Skidelsky, L Vallance of Tummel, L Wakeham, L (Chairman)
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### Letter from the Institute of Directors

Thank you for inviting the IoD to contribute to the inquiry by the House of Lords Select Committee on Economic Affairs into the employment and training opportunities for low-skilled young people. Although the IoD is unfortunately unable at present to submit evidence on most of the detailed questions under consideration by the Committee, we would like to offer some observations pertaining to Apprenticeships. These are set out below, following some introductory remarks about the IoD.

#### ABOUT THE IOD

1. The IoD was founded in 1903 and obtained a Royal Charter in 1906. It is an independent, non-party political organisation of 52,000 individual members. Its aim is to serve, support, represent and set standards for directors to enable them to fulfil their leadership responsibilities in creating wealth for the benefit of business and society as a whole.
2. The IoD's membership is drawn from right across the business spectrum. 85 per cent of FTSE 100 companies and 73 per cent of FTSE 350 companies have IoD members on their boards, but the majority of members, some 70 per cent, comprise directors of small and medium-sized enterprises (SMEs), ranging from long-established businesses to start-up companies. IoD members are entrepreneurial and their organisations growth-orientated. More than two-fifths export. They are also fully committed to skills and training: 97 per cent of members' organisations provide training for their employees, compared to 65 per cent of employers in England.

#### APPRENTICESHIPS

3. Question 8 of the Committee's Call for Evidence concerns Apprenticeships: the effectiveness of current arrangements in improving skills and employability; the level of employer involvement in the scheme; and the programme's success in meeting businesses' skill needs. These are addressed in turn below.

#### *Improving skills*

4. "Apprenticeships" is one of the Government's flagship training programmes. Although Britain has a long tradition of apprenticeship—a tradition, indeed, stretching back to the guilds of the Middle Ages<sup>1</sup>—what we now know as Apprenticeships, that is to say the government training scheme, was born in 1995 as Modern Apprenticeships.<sup>2</sup> Despite the fact that it has only been operational for a relatively short period of time, the programme has already been subject to numerous reviews, modifications and name changes. It is not inconceivable that this instability may itself have had a negative impact on the proportion of employers using Apprenticeships.
5. Despite alterations and changes in nomenclature, Apprenticeships have remained central to the approach of successive Governments to improving intermediate level skills. The 2003 Skills Strategy reaffirmed [Modern] Apprenticeships as the "primary work-based vocational route for young people",<sup>3</sup> and the recent Leitch Review of Skills has recommended a dramatic increase in the number of Apprenticeships in the UK to 500,000 by 2020.<sup>4</sup>

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<sup>1</sup> For a history of apprenticeships, see J Lane, *Apprenticeship in England, 1600–1914* (UCL Press, 1996).

<sup>2</sup> The creation of the new apprenticeship scheme was announced by the then Chancellor of the Exchequer, Kenneth Clarke, in his (first) Budget statement of 30 November 1993. It would, he said, "provide a major boost to work-based training and increase substantially the number of young people obtaining the technical and craft skills which not only employers but trade unions agree the country has been lacking." See House of Commons *Hansard Debates* for 30 November 1993.

<sup>3</sup> *21st Century Skills—Realising Our Potential: Individuals, Employers, Nation* (Department for Education and Skills, 2003), p 79.

<sup>4</sup> *Prosperity for all in the global economy—world class skills* (Leitch Review of Skills, Final Report, December 2006), paragraph 65, p 21.

6. However, Apprenticeships have suffered from some key weaknesses. Two of these were highlighted in the last research the IoD conducted into Apprenticeships, published in 2003<sup>5</sup>—the quality of work-based training provision and framework completion rates. The transformation of the first of these must be regarded as a considerable success story. In 2001–02, 58 per cent of work-based learning providers were judged by the Adult Learning Inspectorate (ALI) to be inadequate to meet the needs of learners. By 2005–06, the proportion had fallen to 12 per cent.<sup>6</sup> Completion rates have also improved, but not sufficiently: around 60 per cent still do not complete the whole framework.<sup>7</sup> The recent ALI annual report noted that Apprenticeship success rates lower than 50 per cent persisted in many areas of learning, a situation the Chief Inspector described as “wholly unacceptable”.<sup>8</sup>

7. The Government has responded to low completion rates by adding a target for achievement to the previous target for participation.<sup>9</sup> The IoD welcomes this focus on a notable weak spot. If the Government accepts Lord Leitch’s recommendation to increase the number of Apprenticeships, this approach should also be incorporated into any further expansion. It would be a retrograde step if the emphasis of policy were again to be dominated by an appetite for numbers without the necessary eye on quality and completion.

8. That a large proportion of those on Apprenticeships are not completing their full apprenticeship frameworks must affect the scheme’s success in developing skills. Of course, some of those failing to fulfil all requirements of their Apprenticeship may nevertheless proceed to complete a different qualification. Previous research has also suggested that, regardless of low completion rates, a high proportion of Apprentices gain employment.<sup>10</sup> Nevertheless, such a key element of the Government’s work-based training policy must aspire to deliver a better completion rate for participants.

#### *Employer involvement*

9. Skills deficiencies are one of IoD members’ prime concerns and, as noted in paragraph 2, members’ organisations have a very impressive training record. This includes vocational training leading to qualifications, provided by 50 per cent of IoD members.<sup>11</sup> However, the last specific research on Apprenticeships conducted by the Institute was an NOP survey of the membership in March 2003. Then, only a small minority (13 per cent) of those participating in the survey used (Modern) Apprenticeships to train some of their employees. Larger firms, those from the manufacturing sector and those involved in construction, mining and transport were most likely to use this form of training.<sup>12</sup>

10. Conversely, 86 per cent of IoD members surveyed in March 2003 said that their organisations did not use Apprenticeships. These organisations’ non-participation was primarily due to the fact that they had other preferred methods of recruiting and training their employees. Taken together, 47 per cent of those organisations not using Apprenticeships either recruited ready-qualified staff or met their training needs in a different way. A further 31 per cent variously considered their organisation to be too small to participate in Apprenticeships, to lack the infrastructure or resources to support Apprenticeship training or that Apprenticeships were otherwise unsuitable or irrelevant.<sup>13</sup>

11. The proportion of IoD members’ organisations using Apprenticeships may well have increased since our last published research. However, that relatively few were using this form of skills development is instructive in its own right. It is not down to a reluctance to invest in training, or to provide vocational training leading to qualifications. Rather, it seems most likely simply to be evidence that different training mechanisms suit different organisations, of different sizes and in different economic sectors. The IoD supports Apprenticeships, but it is not obvious that they are appropriate for all sectors or for every workplace.

12. Those IoD members using Apprenticeships were very happy with the programme, with 90 per cent considering that it equipped employees with the skills needed to do their jobs.<sup>14</sup> However, our research indicates that apprenticeship-style skill formation is not necessarily suited to, or feasible for, all organisations.

<sup>5</sup> *Modern Apprenticeships: an assessment of the Government’s flagship training programme* (Institute of Directors, August 2003).

<sup>6</sup> *The Final Annual Report of the Chief Inspector* (Adult Learning Inspectorate, December 2006), p 7.

<sup>7</sup> *Further Education and work-based learning for young people—learner outcomes in England 2004–05* (Learning and Skills Council, ILR/SFR10, 11 April 2006), Table 7.

<sup>8</sup> *The Final Annual Report of the Chief Inspector* (Adult Learning Inspectorate, December 2006), p 6.

<sup>9</sup> *Prosperity for all in the global economy—world class skills* (Leitch Review of Skills, Final Report, December 2006), paragraph 5.59, p 98.

<sup>10</sup> *Government supported, work based learning for young people in England 2001–02: volumes and outcomes* (Department for Education and Skills, Statistical First Release 27/2002, 24 October 2002). NB, study is of Advanced Modern Apprentices who left their programme in the period from August 1999 to July 2000.

<sup>11</sup> See *Vocational qualifications: current issues, Government responsibilities and employer opportunities* (Institute of Directors, January 2006), p 8 The source of this data was the Q3 2005 IoD Business Opinion Survey (September).

<sup>12</sup> See *Modern Apprenticeships: an assessment of the Government’s flagship training programme* (Institute of Directors, August 2003), p 7.

<sup>13</sup> *Ibid*, pp 63–64.

<sup>14</sup> *Ibid*, p 62.

It is for this reason that the IoD has reservations about moves to denote Apprenticeships effectively as the default work-based programme for young people, automatically promoted over other vocational qualifications or approaches to training.

13. The recommendation in the Leitch Review substantially to expand Apprenticeships by 2020 emphasises the supply-led orientation of the programme (and its previous incarnations). Instead, the expansion of Apprenticeships should be demand driven, that is to say driven by employers and learners, not by the Government.<sup>15</sup> However, if the Government accepts this particular Leitch proposal, then it should act to inject greater flexibility into the scheme to increase its relevance to more employers (see next section).

#### *Meeting employers' skill needs*

14. As noted above, previous IoD research has shown that those members using Apprenticeships were very positive about the scheme's efficacy in equipping employees with the skills required to do their jobs, and also considered that the use of this training programme had resulted in significant business benefits.<sup>16</sup> Notwithstanding that fact, nor the caveats expressed above about the suitability of this form of training for all employers, the IoD considers that certain reforms could enhance the relevance and applicability of Apprenticeships.

15. Firstly, the considerable improvement in the quality of work-based learning provision as evidenced by the ALI's inspection reports is extremely welcome. In time, this can be expected to impact positively on achievement levels within Apprenticeships, though at present completion rates—whilst on an upward curve—remain too low. The Government must continue to make the improvement of completion rates a top priority, over and above the expansion of the programme. A failure to do so carries risks for the scheme's reputation.

16. With regard to Apprenticeship frameworks themselves, there is a good case for increasing their flexibility to enable them to meet the needs of more employers. For example, one possible reform would be to permit the inclusion of other industry standard qualifications as alternatives to the NVQ element, where available and where appropriate. A more flexible approach should also cater for those employers who would value the ability to include additional NVQ units or whole NVQs from other occupational areas in order to deliver more balanced training. Space for such additional units could be freed up within frameworks by replacing the key skills units with a minimum entry requirement of GCSEs at A\*-C in English and mathematics.<sup>17</sup>

17. Apprenticeships also need to function more effectively as part of a vocational pathway. Research by the Learning and Skills Council in 2003 suggested that only approximately 10 per cent of those following Apprenticeships at Level 2 (formerly Foundation Modern Apprenticeships) progressed to Apprenticeships at Level 3 (Advanced Modern Apprenticeships).<sup>18</sup> Moreover, the proportion progressing to Level 4 from an Apprenticeship also appears to be very low.

18. In its 2003 policy paper, the IoD argued for the inclusion of Technical Certificates into all Apprenticeships, at both Level 2 and Level 3. The rules on Technical Certificates were modified in 2005, with the effect that the knowledge element of an Apprenticeship no longer has to take the form of a separate qualification. Clearly, the appropriate content and format of Apprenticeships is determined by SSCs in consultation with employers in their sector. Relaxing these rules may have helped to make some Apprenticeships more attractive to employers and boost completion rates. Nevertheless, the IoD would be wary should this move lead become symptomatic of a drift away from Technical Certificates. As a general rule, the theoretical knowledge underpinning an Apprenticeship should be protected as a central feature.

19. Finally, a word on the role of Sector Skills Councils and the remit of the new education inspectorate. If, as Lord Leitch has recommended, SSCs be granted greater power over the content of Apprenticeships,<sup>19</sup> it is vital that they are properly representative of small and medium-sized enterprises, and that SMEs have genuine input into the composition of Apprenticeship frameworks. There is some doubt that this is currently the case.

<sup>15</sup> In parenthesis, it is also worth noting that the Leitch push to expand Apprenticeships seems to run against the grain of his Review's general emphasis on the skills and training system being led by employers' needs.

<sup>16</sup> *Modern Apprenticeships: an assessment of the Government's flagship training programme* (Institute of Directors, August 2003), p 62. It is probably no coincidence that the members surveyed in 2003 whose organisations used Apprenticeships reported very high completion rates for those participating in the scheme—much higher than the national figures.

<sup>17</sup> Given that poor prior skill levels contributes to low completion rates, insisting on a certain of level of previous qualification before entry into an Apprenticeship may also help to ensure that more apprentices complete their framework. Completion rates may also be helped by introducing an overarching award to incentivise young people to complete the whole Apprenticeship, as advocated by David Sherlock, Chief Inspector of the ALI. Other factors contributing to low completion are ill-informed (or poorly advised) early choice of career on the part of apprentices and the tendency for an Apprenticeship to be abandoned when a young employee is either promoted or moves on.

<sup>18</sup> Cited in *Modern Apprenticeships: an assessment of the Government's flagship training programme* (Institute of Directors, August 2003), footnote 217, pp 41–42.

<sup>19</sup> *Prosperity for all in the global economy—world class skills* (Leitch Review of Skills, Final Report, December 2006), paragraph 5.66, p 99.

With regards to inspection arrangements, the IoD disagreed with the Government's decision to incorporate the ALI's remit within the new Ofsted, and has concerns about the possible consequences for adult learning. At the very least, this is a very sensitive time to pass responsibility for inspecting programmes such as Apprenticeships to a new organisation.

9 January 2007

### Examination of Witnesses

Witnesses: MR MILES TEMPLEMAN, Director General and MR MIKE HARRIS, Head of Education and Skills, Institute of Directors, examined.

**Q166 Chairman:** Good afternoon and thank you very much for coming along to give us some evidence on this subject. I am bidden to say to you first of all that you are welcome and secondly that we are going to ask a series of questions. Thirdly, I always say to everybody, including members of the Committee, that we ought to speak up and speak relatively slowly, so that we get the most accurate account of what you are going to say; and, lastly, ask you whether you want to say something before we start the questioning in the way of an opening statement of any sort.

*Mr Templeman:* Only a brief one. The IoD, with 50,000 director members, many of whom come from the SME sector, is very involved with education itself and certainly from our members there is great concern about the topic that you are investigating at all levels. Our submission talked particularly about the apprenticeship area and we will happily talk about that. Really from the top, in terms of knowledge transfer and research at one end, through the middle, in terms of vocational improvement, right down to Train to Gain and the basics at the other, basic numeracy and literacy, our member directors have a great interest in helping any improvement that can be made. We strongly supported the Leitch initiative and indeed probably value it in terms of direction. The key to it really is how that direction is achieved and what can be done to implement some of the good thoughts that are within it. We are very concerned that this is something that has to be done with the maximum flexibility and autonomy and centralised targets are not always the answer to it, some of which we would agree with but they may not have the right effect on the ground. That is a topic we can get into.

**Q167 Chairman:** Thank you very much. May I start and go back to what you said in your remarks? Could you expand a bit on your 2003 report on apprenticeships, based on a survey of your membership? In particular, could you comment on your findings on the quality of work-based training provision and on framework completion rates?

*Mr Templeman:* Why don't I ask Mike, who did the survey in detail, to talk about that?

*Mr Harris:* Our 2003 report is based on a survey of a representative sample of IoD members, conducted by NOP in March 2003 and it was particularly designed

to find out the level of use of Modern Apprenticeships, as it was then, in IoD members' firms and, for those who were not using apprenticeships, the reasons why not and also identifying any particular improvements which existed. In the general research we had two wider comments about the nature of apprenticeship training. One was the quality of work-based training itself. At the time that the report was written the Adult Learning Inspectorate was finding that about 58 per cent of work-based training providers were not providing an adequate level of work-based training. Subsequent to that, there has been a pretty dramatic improvement in that level of training as evidenced by the ALI's report to the extent that today it is about 12 per cent inadequacy rate, so there is a very significant improvement. The second area of general concern we had was the level of completion within apprenticeship frameworks which at the time the report was written was about 24 per cent and the latest figures are about 40 per cent. So again there has been an improvement there; though not as significant an improvement as we would hope to see because these issues feed back both to young people and to employers, these assessments about quality and about completion rates.

**Q168 Lord Vallance of Tummel:** Can we go into this a little bit further, starting off with quality? Recognising that there has been a significant improvement, though a 12 per cent inadequacy rate does not sound terribly exciting, what more could be done to improve not only the 12 per cent but actually raise the whole bar beyond adequacy? What else might be done to improve the completion rates that has not been done so far?

*Mr Templeman:* We feel there are several areas and it is pretty deep seated, so we are dealing with very difficult and complex issues. One of the keys to it is the careers advice in schools. We feel that too often people leaving school at 16 are not getting sufficient advice on the right direction for them. Easy to say, difficult to do, but we do feel strongly that, all too often, children who have not been engaged in the education system sufficiently, which is why they are desperately seeking some sort of training post-school, at the basic level or at the middle level of vocational training, do not necessarily get all the advice they need, they do not necessarily get the kind

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of assessment they need before they enter onto a course and also there is a belief that some of the apprenticeships are not recognised enough in terms of their qualification. There is no diploma as such that really acknowledges the merit of sticking with the course. So better direction, better assessment about what is right for a particular individual and then the higher standing of the value of that course might be helpful. At the other end, and I am not sure whether we may be able to play a part here, we have to get better involvement from employers in delivering that apprenticeship once the pupil has started, and too often employers are not engaged enough in making it work from their end. We are not sure of the reasons behind that. Mike may have some thoughts, but basically employer education about seeing it through and making it stick is an important part of it. That may go back to saying you have to make sure it is a round peg in a round hole to begin with, which is not easy at 16.

*Mr Harris:* Just to confirm those thoughts I would only add, particularly from the perspective of employers, that it is about supporting the apprentice through supervision, through having regular reviews, appraisals, perhaps an employee mentor. These were things we found very much within the IoD survey in 2003. I must admit that I am not sure of the extent to which these are replicated across the whole range of apprenticeships in the economy at large; I am afraid I just do not know that. However, it seems to me that there were very high completion rates within apprenticeships in IoD members' firms and it was linked to the support that apprentices received through the duration of their training and certainly incentivising the completion of the process. I understand that there is a funding incentive from the Learning and Skills Council that apprenticeships should be completed, but there is no overall qualification that you actually gain by completing; you just get a little paper certificate saying that you have completed it. We could make a bigger deal of the fact that somebody has completed all aspects of the apprenticeship framework and celebrate that fact.

**Q169 Lord Vallance of Tummel:** Are you likely to have another survey amongst your membership, perhaps concentrating on how the employers might perform their role rather than finding what the barriers are?

*Mr Templeman:* We could; it is something that certainly could be on our agenda and we certainly would consider that. One of the tricky things is that IoD members on the whole are not totally representative of the broader public, because on the whole the individuals and the companies that they represent that join the IoD are much more training orientated and much more inclined towards growth and how they can move their businesses forward,

which is part of the issue, than the average. We would almost have to do a survey of non-IoD members, which we are not able to do, in order really to understand it, but we could find out what works better and Mike is right about the close attention and the mentoring. There is also another topic around the fact that inevitably some of these individuals will move on during their apprenticeship and it is very important that there is transferability; so if they start in another job, for whatever reason, what they have done is not lost and there is more of a cumulative build-up towards a qualification which might encourage them to stick with it and for the employer to endorse what has happened and to build on it, rather than perhaps it all just tapering into nothing.

**Q170 Lord Paul:** A large number of young people at the age of 15 or 16 get out of school because they just do not want to focus, they lose interest.

*Mr Templeman:* I agree.

**Q171 Lord Paul:** How do you persuade them that learning skills require more focus and can be more interesting than studies?

*Mr Templeman:* I agree. I am afraid that is the issue and we are very struck by how many children have been from 5 to 16 at school and have still not really learned either basic skills or developed a motivation that they have to develop skills if they are going to have a successful life. The fundamental area has to begin much more both with parents and schools, even before employers get involved. I really do not know how you do it, but to us it is the central issue. It is about motivation, it is about children believing that acquiring skills is absolutely fundamental to their lives and if they do not believe that at 16, it is very difficult thereafter to even engage with them.

**Q172 Lord Skidelsky:** In your written report you said that only a small minority of IoD members use apprenticeships for training. I do not know what year that dates from and whether it has been going up. I would like you to tell us about that and then, following on from that, what measures would help smaller businesses participate in apprenticeships, what sort of incentives?

*Mr Harris:* The figure that was cited in the submission was from the 2003 NOP survey and it was that 13 per cent of IoD members' organisations used apprenticeships. At that particular period in time you could not make a direct comparison between the level of provision in IoD members' firms and that in the economy at large because the data simply was not held by the Learning and Skills Council. I do not know the extent to which that has changed and whether a register now exists, perhaps it does not. My instinct is that that 13 per cent, although it seems a very low figure, may actually not be too bad in

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comparison with the economy at large. In terms of how you get more small employers involved, it is quite difficult. When we asked the people in our survey why they did not use apprenticeships, it was not from an instinctive lack of respect for the qualification: it was much more that either they recruited ready-qualified staff in the first instance or they had different methods of training the employees, which is perfectly reasonable. There are issues around flexibility and supporting smaller employers who do want to offer apprenticeships, and the role of group training associations, for instance, is something that we would like to see developed, which are collaborative efforts of smaller employers. They have their origins in the engineering sector and they really do help to support the delivery of this sort of training. That is something which should be taken forward.

**Q173 Lord Skidelsky:** Would it be an incentive to pay employers directly, pay the £3,000 to employers? Would that increase the take-up?

*Mr Harris:* My understanding of the financial arrangements is that if the employer is the registered training provider, then that funding will come to them directly anyway. From the research I have read, the issue is not around a rather casual attitude towards completion on the part of employers. It is much more about an incorrect initial choice on the part of the apprentice, perhaps through poor advice, and then perhaps through a lack of support throughout the process. It would be wrong to think it is just about finance and that, if you give more money to the employers, it really will solve the issue. I do not think it will.

*Mr Templeman:* I would agree with that, although it should certainly be considered. One of the big issues we found, which takes us on to the broader topic, is that apprenticeships are just one form of training opportunity. What we feel we need somehow to encourage, the Government has to, or the whole of society has to encourage in a way, is a very flexible approach, not necessarily to set very rigid targets for a number of apprenticeships, which may or may not be valid, but rather to say in all of these situations that the company, together with the skills broker in the region, really needs to explore what is the right opportunity and how to link up with the appropriate colleges and so on at which apprenticeships may be one mechanism. There is a danger of over-focusing on one particular area which may or may not be the right answer, but the whole Train to Gain initiative should embrace a lot of different discussions in the regions and the role of the skills broker and the relationship with the colleges is absolutely critical.

**Q174 Lord Paul:** What can organisations like yours do to get these young boys and girls to be interested in skills so that you can provide some kind of a dream for them?

*Mr Templeman:* All we can do, which is not much on top of a lot of others' efforts, is really to stress to our employers, to our members, the value that a skilled workforce can bring and that improving the quality of these low-skilled, up to even a medium-skilled level, is absolutely fundamental to economic wellbeing. All the evidence shows that companies that are involved in training and development do better than those that are not and therefore it is about us stressing that message to our members, but it should actually be part of a concerted effort for many others because we are only one small part of that equation. The key to it comes in these individuals recognising for themselves, however this is done and I do appreciate how difficult it is, that they have to get that value themselves. Without their motivation, you are going to get nowhere unless they really believe it is worth doing.

**Q175 Lord Paul:** Employers know the value of skills et cetera, but when they are training people, to get them to concentrate, that is where they are finding themselves very frustrated. How can you get this message to the trainees not the employers?

*Mr Templeman:* I agree. Only by stressing the topics we have already embarked on.

**Q176 Lord Layard:** Alan Johnson has proposed the idea of trying to influence children in school by offering them the prospect that if they apply themselves in school, they would then automatically qualify for an apprenticeship and then the LSC and the state apparatus would feel an obligation to provide them with an opportunity. This might have the effect of changing their whole perception of their place in the world earlier on, at 13 or 14. How do you feel about that?

*Mr Templeman:* Without knowing exactly how it would be implemented and without being able to see exactly how that would work, we would totally support that kind of direction because we do believe this problem starts way before 16 and indeed way before 14. This is really children that do not learn between five and 10, let alone between 10 and 16, and are already behind the pace in terms of their literacy skills. Therefore, if we can get to them very early and encourage them really to believe in learning skills in a way that is more outward looking rather than inward looking, it could be very effective. The diploma is a good idea and we have heard Ken Boston say that the purpose of the diploma, the new diploma coming in next year, is all about trying to retain the interest of those pupils at 14 who are drifting away from education at a very early age. It needs to be better

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understood that that is the direction to try to engage the pupils. It is not about vocational qualification: it is about getting those children who are not going to learn to learn something, albeit basic skills, in perhaps a more outward-looking and vocational environment. Yes, we would support that kind of direction.

**Q177 Lord Macdonald of Tradeston:** May I ask you about the technical certificate which was introduced into the apprenticeship frameworks to provide the key technical knowledge? As I understand it, that has now been made optional by some sector skills councils and you have been suggesting that the technical certificate should be protected. Who would take responsibility for that?

*Mr Harris:* I suppose ultimately the policy decision would be for the Department for Education and Skills, but the approval of apprenticeship frameworks themselves takes place amongst sector skills councils. We feel that it is important to retain the technical certificate, which is simply just a classification term; it is really about off-the-job training. It really adds a balance to the apprenticeship framework. Some sector skills councils have found that this requirement has been obstructive. Bakery would be one example of an apprenticeship framework where that was the case. But in general terms this really does add both to the balance and also to the apprentices' opportunity for progression at a later date, because you are building in both the underpinning technical knowledge as well as the on-the-job competence skills. As a general theory, it is good to protect that as a feature of our apprenticeship because it very much a feature of continental apprenticeships for instance.

**Q178 Lord Layard:** I wonder what your opinion is about the idea of a statutory framework for apprenticeships which would set out the rights and responsibilities both for trainees and for the employing firm.

*Mr Templeman:* We are not against it in any sense of principle. We are not sure it is really the answer to the problem we are trying to address which is much more about getting the kind of motivation and engagement that we want. I am not sure that we would either agree or disagree with it. I do not know whether Mike would have a view, but we do not think it is really the answer to the problem we are trying to address.

*Mr Harris:* If we are trying to address principally levels of low completion, my instinct is that the statutory contract really will not make much difference, because from the evidence I have seen the problem is not a lack of enthusiasm for completion on the part of employers, and there is a certain danger in cherry picking features of different apprenticeship systems. This is very much what happens in Germany for instance, but the system there is rather different

because it conveys certain labour market benefits for having completed the apprenticeship and the duration of apprenticeship training is much longer in Germany; it tends to be over three years, whereas in this country the bulk is one and two years. You could achieve it through greater clarity at the stage where an apprentice joins an employer about what training is expected from the employer, when the trainee will spend his or her off-the-job training and the key skills requirements, making it very clear up front what is expected from whom, how long the apprenticeship will last, and that will address that issue there, the uncertainty of what is expected from whom.

*Mr Templeman:* Which is quite close to a framework, whether it is statutory or not.

**Q179 Lord Skidelsky:** If they cannot read, what sort of instructions do you give? Presumably a lot of these instructions come in fairly simple bits of paper which they cannot read.

*Mr Templeman:* I agree.

**Q180 Lord Skidelsky:** How do you get the clarity there?

*Mr Harris:* It probably works in conjunction both as a written document and the advice that they should receive from either the Connexions adviser or in their school; you take it through there.

*Mr Templeman:* You touch on a fundamental problem. If they really cannot read in any serious way, it is very difficult to envisage any training programme that can build on that. Therefore the whole focus at that stage has to be on the basic literacy skills before you can even embark on something more elaborate. We certainly encourage that, which obviously is a major problem for many of the children leaving schools.

**Q181 Lord Sheldon:** The Leitch Review put a central role in skills policy to sector skills councils. What are the grounds for your reservations about the increased powers proposed for sector skills councils?

*Mr Templeman:* On the whole, despite a very imperfect performance so far, we would support the structure of sector skills councils and we would certainly say, let us not turn it over and try to find something new. So we would support generally the direction that Leitch is pushing in. If you are going to say sector skills councils, and we know very few of them are actually operating effectively at the moment but there are signs that they are improving, they need to be given the authority that Leitch talks about in terms of really being able to set the kind of framework qualifications within their particular sectors; they need support, they need backing and the funding is due to run out so they will need funding. Therefore, we would support that direction and it is the right direction. You might say at this moment that it is the only direction we have on the

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table and therefore rather than turn it over again and start something else, however imperfect it is, let us try to make them work better. The sector skills academics need to work very closely with them, but also the relationship of the sector skills councils with the LSCs has to be clarified. One of the problems I certainly hear is that employers are not engaging as fully as they might with the sector skills councils because they cannot see the authority of what is decided really being implemented on the ground; there is a lack of real transparency about the process. As you can imagine, busy employers are not going to spend time contributing to a council, if they do not think it is effective. There is a bit of a chicken-and-egg situation here. We have to try to give them the authority, we have to try to make them more effective in what they can deliver, focus them on what they have to do and really get the employer engagement into them.

**Q182 Lord Sheldon:** Do you have any idea of the timescale in this?

*Mr Templeman:* No, I do not. We have had them for a few years now, there are some signs that some are working quite well and others are improving. We have to use best practice as a good example to drive the others but we are talking about quite a slow and long process. In general in these sorts of topics, certainly in my short-time exposure to it, the last thing one needs to do is to try to invent some new structures. It is much better to work hard at trying to implement and make effective what is currently there and learn from those that are effective and what it is in the construction industry and one or two of the others where it is working that the others can learn from.

**Q183 Chairman:** You mentioned several times in your answers, quite understandably, the difficulties that you see if kids do not get the basic numeracy and literacy, but what about the other side of the coin? What are the arguments for and against requiring all 16- to 18-year-olds to remain in some form of educational training?

*Mr Templeman:* It must be right that all kids 16 to 18 are involved in some kind of training, because clearly any person at that age needs more training if they are going to have a successful life and all the evidence from other countries is so and all of our experience would say some form of training. What we get nervous about is the sense that any kind of compulsory diktat has problems. If these children have failed to be engaged in education in any basic way from five to 16, forcing them to be involved in something 16 to 18 is hardly going to do much good. I am not against compulsion in one sense, but it is not the answer. The answer is going back to the problem of how we are going to engage these children much earlier than 16 in the fact that learning is a fundamental part of their lives and compulsion might distract from that. We might think

that by making things compulsory, we are going to solve the problem but it is about their motivation and involvement that is really the issue and compulsion does not tackle that.

*Mr Harris:* Before you can get to the stage of making a decision about whether to compel people to partake in this, you have to get the infrastructure right. At the moment it simply does not exist because we are only in the process of developing the specialised diplomas; the national entitlement to all the lines of learning will not be in place until 2013. We have identified some of the faults with the apprenticeship scheme but we really must get to the stage where we have a much higher completion rate there and the quality of training is excellent before we can really say right, it is realistic to expect people to take one of these three routes.

**Q184 Lord Macdonald of Tradeston:** Looking over the last 10 years, with all the effort put into this area, is the situation better now than it was in 1997?

*Mr Templeman:* Some of the figures show yes. Certainly my impression from only being involved in the last few years is that I do feel the heightened awareness of the whole skills agenda is a significant step forward. That does not deliver a lot, but it is the beginning. Five years ago, there was not this recognition that the skills agenda was absolutely fundamental and that the UK was not very good at it. There used to be a belief that we were pretty good at it, although we were never very good at apprenticeships, I know. There was a failure to recognise that we had to get a lot better at it. In one sense the culture is much more receptive and the very fact that the kind of areas you are looking at, maybe they have always been looked at, but my impression is that there is a heightened awareness of the need to do it better, though clearly the progress has not been that great thus far.

**Q185 Lord Macdonald of Tradeston:** On a related area, numeracy and literacy, the cohorts who began to benefit from the increased investment will just be leaving school now. Is that improving too?

*Mr Harris:* At school level there was a very significant increase quite early on in the level of attainment in schools; that then plateaued and we are in the situation now where it is very difficult for the Government to meet its targets. There has been an improvement, in some ways quite significant, but what is now even more pressing is how you then lift it up from the level we are at now to the level we want to see where everybody leaves school at 16 with good skills at the very least in basic literacy and numeracy.

**Q186 Lord Skidelsky:** If you had a definite pot of money—I am asking you as a government—and it was limited, where would you put most of it, into the pre-16 or post-16 effort? You might divide it.

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*Mr Templeman:* You would have to divide. I am not sure that schools need more money, so it is not about money. I would say it is the 16+, really making the whole Train to Gain scheme work. There are still too many employers who do not even know what they could do, so the whole network of regional skills brokers, the relationship with employers, the relationship with the colleges, is where I would put the emphasis. The infrastructure is there. My impression is that in many cases we do have the process to do it; we then have to get all parties involved in it to appreciate the sorts of topics we have talked about and to be much stronger on it. I guess I would put it there.

**Q187 Lord Vallance of Tummel:** May I come back to SMEs for a moment because I do not think I fully understood it. From what you said the bulk of your SME membership does not do the apprenticeships.

*Mr Templeman:* They do not do apprenticeships; they do training of another kind.

**Q188 Lord Vallance of Tummel:** And yet of course the bulk of the UK workforce is in SMEs. I am not sure quite what this means. It either means that SMEs have no fundamental problems over skills as they have other means of training their youngsters, or it means that SMEs are just content to be under-skilled and muddle along, or indeed if apprenticeships are a key to enhancing skills, there has to be something fundamentally wrong with the system, that the bulk of the workforce cannot have them or do not have access to them. I wonder whether you could elucidate a bit around that area.

*Mr Templeman:* It is not about a belief in many SMEs that the training is not beneficial; it is not apathy as you suggest it might be. There is a wide recognition, although we slightly deal with a favoured universe rather than the whole, so we might get a slightly

distorted view. Our view is certainly that there is wide recognition in SMEs of the need for training as we have discussed. There is a great recognition of the difficulties in small companies in handling it, as one can appreciate. It is difficult when you have a limited workforce and limited time et cetera to get the necessary training done. That obviously remains a problem that has to be tackled, but the apprenticeship issue is just that apprenticeships are only one mechanism of that training. It is not anything to do with training in general, it is simply that in many cases apprenticeships have not been, for some of the reasons we have touched on, the most appropriate form of training, but it is not about training in general.

*Mr Harris:* Certainly from the skills perspective and the survey evidence we have from IoD members, skills shortages and skills gaps within the workforce are very serious problems for a lot of IoD members, very much more so than surveys of employers conducted by the Learning and Skills Council. It is in no sense a feeling that skills are not important, training is not important: it is just about finding the right solution to those particular problems.

**Q189 Lord Vallance of Tummel:** Really what you are saying is that trying to enhance the number of apprenticeships amongst SMEs is a lost cause.

*Mr Harris:* It is not a lost cause; with the right support mechanisms, you can. But, there may be a natural limit to how far you can push it amongst smaller companies because there will be other things which will suit them better.

**Chairman:** May I express our thanks to you for coming along and thank you very much for the clarity of your answers which was extremely good and very helpful to us. Also, if I may say so, recognising that we are an all-party committee, you handled some of the questions with considerable skill towards the end. Thank you very much indeed.

### Examination of Witness

Witness: MR DAVID SHERLOCK, Chief Executive Officer, Adult Learning Inspectorate, examined.

**Q190 Chairman:** Welcome to you; we are delighted you could come. We saw you sitting there listening to what went on, but I have a suspicion that you are a pretty old hand at these processes anyway. I am always bidden to tell you and to remind us that it is important that we speak up and speak clearly so that we get an accurate report of what is said. We have a series of questions that we are going to ask you and there may be others that come out and flow from that but is there something you want to say yourself at the beginning just to set us off on the right lines?

*Mr Sherlock:* May I say just two things? The first one is that I have been involved with the Adult Learning Inspectorate since it was set up in 2001, before that with the Training Standards Council which was

established in 1997, so I have had the opportunity to take part in this debate for just about a decade now. Certainly my impression is that over that period a number of things have improved very substantially. The second thing to say is that whilst we are heavily involved in work-based training, apprenticeship, adult education in colleges, we are also involved in a whole range of other initiatives including the Welfare to Work programmes and much more specialist training, including in the Armed Services, the police, in prisons and in the criminal justice system generally, so we have a very wide perspective on the issues of involving young people in productive training.

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**Q191 Chairman:** Thank you very much, that is very helpful. If I may start off, a vocational qualification at Level 3 improves the chances of employability and good earnings. Why, in your view, do so many of those who could gain such qualifications, either in full-time further education or in work-based learning, fail to do so?

*Mr Sherlock:* I suppose the obvious answer is that many of them are unqualified by the time they leave school at the age of 16 to undertake a Level 3 qualification. We still have a situation where just over 50 to 55 per cent or so of young people at the age of 16 achieve five or more A\* to C grades in the GCSE. Something around 45 per cent achieve five A to C grades, including English and mathematics, and until they have that level, a full Level 2, in many cases they are under-qualified to embark on a Level 3 with any hope of success. There is a real gap in terms of the capability of young people leaving school to succeed on Level 3 qualifications. There is a second issue too which is that, contrary to the more popularly known statistics, there is a respectable body of opinion which suggests that for many jobs still in the economy Level 2 suffices. Whilst Level 3 is what employers ask for when they advertise jobs, Level 2 will allow people to get by quite satisfactorily. Whilst all the logical arguments about the cash return on Level 3 qualifications and above are well taken, a very large proportion of the population so far can get by on Level 2.

**Q192 Chairman:** Does that apply to the kids who only got Level 2? They do not see the better prospects economically are worth bothering about.

*Mr Sherlock:* In many cases, that is true. If we have a besetting sin as a country educationally, it is that whilst the average performance is really pretty good—and if one looks at the OECD figures now for six-year-olds and 11-year-olds and so on, they are very satisfactory; they are in the top five of the OECD ratings—we always leave behind this tail of under-achievers, somewhere around 20 to 25 per cent of the age cohort. Those young people very often have opted out of any positive feeling about education and training by the time they get to the age of 16, many of those we encounter in the criminal justice system have already started regular truanting by the age of 11 and their reading ages and so forth are those that you would expect in an 11-year-old for example, so they are already disengaged. The other point that needs to be made perhaps is that the GCSE at the upper reaches is not an examination which it is expected that everybody should pass. In other words, to an awful lot of people who will always be below the five A to C grades the emphasis that is put on the achievement of five A to C grade passes tends to mean that teachers perhaps neglect some of those who are not going to achieve that level.

**Q193 Lord Layard:** I just want to follow that up. There must be—maybe not quite so large but substantial—tails in many or most European countries if these results are right, but somehow or other they have the method of engaging these people which we seem to lack. You hinted at one which is that somehow there is no obvious prospect for somebody who is not getting five A to C grades, so how are they to think about their lives from age 14 onwards? Where are they heading? Apart from the fact that we have this rather academic concept of GCSE, do you think that there is some weakness in the routing system either in the connection service or the structure of vocational qualifications or the messages sent out by politicians? What are the main routes to a skill in life? Is it that we have the right structures and somehow nobody is going down them or do we not have the right structures?

*Mr Sherlock:* I do not think we have the right structures. If we compare the structures in this country with continental Europe, we significantly underplay the value of vocational learning and we do that from a much earlier age than 16. The diploma is going to play some part in redressing that but it is long, long overdue. If one takes a country like Italy, for example, which seems to disobey all of the norms for success which Lord Leitch puts forward, a high proportion of graduates and so forth simply do not exist in Italy, what you do have in Italy is absolutely superb quality technical high schools and at the age of 14 young people are going into technical high schools where a great deal more is invested in their education than in those who go into an academic education and the curriculum that they are following is extraordinarily exciting very often. For example, it is possible to go to an aeronautical high school where you learn English because you need to learn English because it is the language of the air and if you are going to become an air traffic controller or a pilot or whatever, you learn English automatically as you do mathematics because it is necessary to master this very engaging technology of aeronautics. Young men are hugely engaged by that kind of practically orientated education where they are learning through practical tasks at a very high level. That has been substantially missing from our society. We have under-valued technical learning, learning through the use of hands-on and we have devalued performance as a result.

**Q194 Lord Skidelsky:** In light of what you have just said, what do you think about the lack of motivation of the GCSE system? Do you think it was a disastrous mistake to abandon O levels and CSEs rather than develop them along the two lines that you have just suggested, just because it left a lot of people not having any motivation?

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*Mr Sherlock:* Bringing them together in a GCSE did not necessarily cause that problem. It is perfectly possible to hold people together with good social results and good economic results and that was always open to the GCSE. The problem with the GCSE was that it separated people out, as had the 11+ before it. The difficulty is that we under-value the D grades and below in the GCSE.

**Q195 Lord Skidelsky:** By calling them D and E.

*Mr Sherlock:* By calling them effectively failures, by saying that the only success is five A to C grades. There is quite a lot of young people who will never achieve that or who will take longer to achieve that and we regard them as failures automatically. It is not the fault of the examination, it is perhaps the fault of the breadth of the examination, as I have just suggested in terms of its lack of skills-based content, but it is not a problem having a single output. The Tomlinson proposals, which essentially would have given a coherent output for everybody with different routes to achieving it, would have been a very significant step forward.

**Q196 Lord Vallance of Tummel:** First of all may I say how much I enjoyed reading your final report, appreciating its poignancy. Based on the inspections, which occupational sectors have a poor record of providing good work-based training? Could training in such sectors be improved and, if so, how, or is full-time training in college the answer for some occupations? When you look at sectors, could you look at SMEs as well as conventional sectors?

*Mr Sherlock:* The areas which have always lagged behind in apprenticeships tend to be the service sectors where there is no real tradition of apprenticeship; so hospitality, retailing and care would be the weakest, if we look over a long period. Construction has had its weaknesses as well. The factors involved in that are mobility of labour in many cases so that people have not completed apprenticeships and the lack of any kind of credit accumulation and transfer system until very recently. It is developing now, but it has been a serious gap in the success of apprenticeships and that has made that more difficult so it has been impossible to take a part-completed qualification to another part of the country and another job. It has to be said too that many of those areas have been traditionally low paid, low skilled, low motivation. They have not attracted young people with the highest intellectual qualifications, therefore they have not been well motivated to learn and in some cases the money coming from the Government for the apprenticeship, has constituted a very substantial amount of the cost of the employment of those young people. So they have tended to be seen, in some cases, in the worst cases, as a subsidy on employment, and temporary

employment at that in many cases, rather than the preparation for a career as they have in other areas like engineering where things have been very much more successful. On your point about whether full-time education would fix it, in some cases the answer would have to be yes. In the care sector, for example, we were seeing work-based training where young people who were not highly motivated to start with were taught by people who themselves were not highly motivated and highly skilled, and that was providing a spiral downwards. In that case, the intervention of college courses perhaps would have made a substantial difference. However, the record suggests that colleges are not terribly good at work-based training on average and, for example in an area like construction, the results in colleges are not much better than they are in work-based training and in some cases much worse. It is very hard to generalise and say put them all into college and it would crack the problem. That is not the case.

**Q197 Lord Vallance of Tummel:** May I come back to the small companies for a moment? Let us take two of the sectors you said were not very good, which were hospitality and retail. Is there a big difference between people who are trained in the big supermarket chains or the big hotel chains and the smaller end of the market?

*Mr Sherlock:* Absolutely; yes, there is. The big retailers were very reluctant to involve themselves in formal apprenticeships for the good reason that they distinguish between themselves by the way that they trained. They saw training as part of a total HR strategy and therefore doing it the Tesco way was different from doing it the Waitrose way and so forth. One of the achievements of the apprenticeship taskforce was to reverse that to some extent. Tesco, for example, became heavily involved in apprenticeship for the first time and enormously impressed the then HR director Clare Chapman with the improvement that was achieved in retention of staff in the first year when typically retailers lose the greatest number of their staff. We are making some progress in getting the blue chip companies involved and the involvement of the blue chip companies is absolutely essential in setting benchmarks of acceptable performance.

**Q198 Lord Skidelsky:** What measures could be taken to reduce the number of young people leaving school with poor literacy and numeracy and unable to benefit fully from work-based learning?

*Mr Sherlock:* That is the \$64,000 question. I really do not know. It cannot be said that there has not been concentration on literacy and numeracy. It is possible that working by grades of attainment rather than simply by years, so that people do not leave school unless they have achieved minimum standards in key

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areas, might work as it does in America and other areas. I find it extraordinary that essentially, if we took Level 2 as the definition of acceptable levels of literacy and numeracy, and there are some problems with that, but if we did do that, as the Government have, we are actually still turning out a majority of young people who do not meet the test. That has to be wrong. We have to get that changed. Business is perfectly right and colleges are absolutely right to feel that it is not their job primarily to redress the failings of an earlier phase of education.

**Q199 Lord Macdonald of Tradeston:** As a time-served engine fitter I would argue that you have in the denigration of a lot of the jobs and a lack of motivation in the United Kingdom a centuries deep tradition in the United Kingdom, which is a bias against industry in a class and educational system which is very distorting and unlike that in many of the countries of Europe. Does this explain perhaps the frequent reorganisation that seems to go on, whether in Whitehall or elsewhere, as the people from very different educational backgrounds grapple to try to find solutions of what to do best for working class kids?

*Mr Sherlock:* It may do. The other-people's-children syndrome does apply to this area, but if we look at work-based training, and apprenticeships in particular, over the last seven or eight years in particular, we are looking at a steady series of useful changes in fact. If I take, for example, the position that we were in when I started out in 1998, we had only one level of apprenticeship at Level 3. Kids who had done badly at school went into those Level 3 apprenticeships and the very large majority of them failed, as they were bound to do. They were simply not at the starting gate before they began. Things have been done subsequently to introduce a complete ladder of awards, so that we have the advanced apprenticeship, which was the original apprenticeship, we have the apprenticeship Level 2 award, we have entry to employment, E2E, and at the other end we have the foundation degree and so forth. We now have, as a result of successive reorganisations, a much more sophisticated ladder of awards than we had a decade ago. That to me argues for some very careful evolutionary work and one can very easily chart the steps. Sir John Cassell's inquiry to begin with began to tease out what was important from what was not and made some significant steps forward. The Chancellor's apprenticeship taskforce made a very substantial contribution as well in interesting people right at the top of industry in the process of apprenticeship. I can certainly remember sitting down at one of the early meetings besides somebody who was leading a very, very substantial business, who said "What are these apprenticeships? I have about 1,000 of them, I understand, but I do not

know what they do". That was not uncommon at the beginning. It was uncommon certainly in some companies but there were many companies where there was not a tradition of promoting from the shopfloor, of goodwill but no real understanding of what apprenticeship was about. There have been some very significant improvements over the last decade in terms of teasing out the problems with apprenticeships, sorting them out and getting people behind apprenticeships, getting them involved and investing, and there are some spectacularly good examples across the country. If I may go on for just one moment, I was at Land Rover the week before last and I took people from over 20 countries there. They had not only a substantial apprenticeship scheme and a foundation degree scheme, but they got in kids for summer schools from the age of six for a couple of days to be involved in what industry was about, what Land Rover was about and so forth. They had then junior apprenticeships from the age of 14, kids coming in from school a day a week with the company taking all the responsibility for looking after 14-year-olds and the difficulties that are associated with that. By the time young people reached the age of 16, they were enthusiastic about the whole business of working in industry and they were aware of the status of it, they were aware that the experience could be just as enriching and exciting as going to university and they were fully signed up to Land Rover. Okay, that is enlightened self-interest, but it seemed to me to be the kind of contribution that you would hope that employers would make.

**Q200 Lord Layard:** You are giving an example of an employer-based apprenticeship scheme. Would you say that on the whole employer-based schemes are more effective than training provider based schemes?

*Mr Sherlock:* Yes.

**Q201 Lord Layard:** If that is right, is an important way of thinking about the future how we can increase the proportion of employer-based schemes and how do we do that? Somebody has to take a lead. One of the problems with this system is that it has no leader. Who is the leader in transforming this system?

*Mr Sherlock:* It is pretty actively top-led by ministers, in fact. There is an apprenticeship ministerial steering group which meets regularly and just exactly that kind of discussion takes place. Phil Hope has been chairing it recently until his illness and has been very active in doing so; there is real interest and there has been real interest among senior political figures for a long time. You are right in that the best apprenticeships probably reside in the large blue chip company. They invest very heavily, for example. I am aware, for example, of the cost at BMW and the money coming from the Government is about one tenth of the total cost of running the BMW academy

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and they accept that perfectly comfortably. It is a high profit business and so on and so forth; it is a business which absolutely depends on perceptions of quality applying to everybody who is involved in the dealership and so forth, and therefore they comfortably invest in it and they see a bottom line return in terms of a reduction in the turnover, which is traditionally very high in that business. Yes, if we could get more employers involved it would be a good thing. However, one should not necessarily dismiss the small training provider, particularly the small specialist training provider. It would be difficult, for example, to see areas like the British Horseracing School going, which trains jockeys and stable lads and so forth; that is a specialist training provider. They do an absolutely superb job and it would be true in quite a lot of specialist areas like that, that they could only be small, they could only be training providers, they could only work with a number of small employers.

**Chairman:** I am a former chairman of the British Horseracing Board and this was something we were very proud of, but of course it was very much employer-led in the sense that they could see the need for creating qualified jockeys. This discussion which is going on at the moment is fascinating because you say there is a ministerial steering group, but as a former minister, we have not been very successful in achieving all these things we want to achieve. It seems to me that it is the employers who have to want it.

**Q202 Lord Layard:** I was involved with the adult literacy and numeracy strategy and it has been pretty successful because we set up a unit in the Department which was given sufficient standing and energising capacity by ministers to transform this area. We are always hearing about weaknesses in each of these different bits, the sector skills councils, the LSC, et cetera. Do you think there is a case for a rather visible unit in the Department to make the system perform better?

**Mr Sherlock:** Yes, I think there is. I suppose the relative roles of the Department to the Learning and Skills Council would be an interesting exercise in discussion, but yes, there is. For example, Mr Harris spoke about group training associations. We have been advocating the encouragement of group training associations through seed-corn funding or whatever for years, basically because they engage small businesses in a way which grows from their needs, their enthusiasm and there are examples all over the country which are of very high quality. I remember going into South West Durham Training with a group of senior industrialists and people were almost breathing a sigh of relief, saying this was what a real apprenticeship looked like. It was terrific, absolutely fantastic. It was a training school which dealt with that spasmodic need for highly skilled

people that small businesses are bound to have, essentially by pooling their resources, pooling their income and sending people when they needed to send people. It is a great model. It works in Australia, it works in Canada, why can we not make it very much more prevalent here and pull in far more small businesses? There are ways of doing that. Two other things perhaps. The first one is that the commercial training provider actually provides a service which effectively does that. It is a kind of brokerage and a provider of training to a whole host of small companies. Secondly, perhaps there is a need for adjustment of style in the way that Government funds are applied in this area. There is a need for a greater recognition of the fact that employers do an enormous amount of training which they pay for 100 per cent themselves for their own workforce. The figures are always bandied around, but if we say it is £3 or £4 billion coming from the Government for adult skills, the figure which is bandied around is £33 billion at the moment from business. Even if we quartered that and said it was £7 or £8 billion, it is still more than the Government put in. Certainly for me the trick is not just about getting state-recognised qualifications to be more prevalent, more successful and so forth, it is to get the whole of that enterprise of training the British workforce seen as a coherent whole, with business people feeling that they have a real involvement and having a part to play in the development of policy.

**Chairman:** It has been absolutely fascinating but we ought to get back to the script.

**Q203 Lord Sheldon:** Why is there a great variability in the length of apprenticeship programmes, both in the quality of learning and in the completion? Can we not organise this in some rather better way than we seem to have at the present time?

**Mr Sherlock:** Modern Apprenticeships was set up to achieve exactly that, was it not, and move away from the time-served apprenticeship towards one which actually measured emerging capability and discharged people into the workforce as soon as they were ready to move into the workforce. I do not think that variability is too much of a problem really. I certainly used to get extraordinarily exercised about it when we were seeing people purportedly having gone through an apprenticeship in two or three months. That was the case in the IT business, for example, at one stage and there were then some substantial reforms in IT training which put that back on track. I think it would be foolish to pretend that there are not differences in demand in the different kinds of disciplines. An engineering apprenticeship is jolly hard work and it will necessarily take longer than a hairdressing apprenticeship or a care apprenticeship. I am not terribly troubled about the differences in length. I am

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troubled, less so than I used to be, by the fact that they were supposed to be the same thing and they plainly were not. We have got away from that now that we have a proper ladder of awards. When there was only one kind of apprenticeship, everything had to be bundled into it, as it were, and there was a pretence therefore that things that were plainly very different in terms of intellectual demand and skills demand were the same when they were not, and that devalued the currency. We have moved away from that. In terms of success rates, colleagues from the Institute of Directors said a number of things with which I would agree wholeheartedly. There is a need for a diploma, for example, to recognise successful completion of an apprenticeship. It seems to me to be absolutely extraordinary that you can go through often a very taxing experience for two or three years of your life and get no terminal award from it whatsoever. It seems amazing to me. Perhaps this relates to school as well, but I had some Canadians over a little while ago and they asked what happened when we had done our GCSE or A level. I told them we got an envelope in the post about six weeks later which said how well we had done. They said "What? No graduation ball?". We fail to celebrate success and completion in an extraordinary way and that is significant here. We have seen very, very substantial improvements in achievement rates. The latest figure from the Learning and Skills Council is that the Level 2 apprenticeship has now hit 59 per cent successful completion. It is not good enough yet, but nevertheless an awful lot better than it used to be. We still have some which are down below 50 per cent, which is not satisfactory. Nevertheless, there has been a huge improvement in satisfactory completion over the last decade.

**Q204 Lord Sheldon:** There is some attraction in the idea of an award, but how can you arrange awards over such a wide range of different backgrounds and training?

*Mr Sherlock:* I am not sure it is any different from A levels in geography and philosophy and mathematics and physics and so forth. Is that not much the same?

**Q205 Lord Sheldon:** Engineering and commercial sales are quite different, are they not?

*Mr Sherlock:* Yes, they are, but no more different than the normally accepted academic subjects that a university, for example, would recognise.

**Q206 Chairman:** I shake 3,000 hands a year as the chancellor of a university and it is only when I give honorary degrees to my colleague here that I realise they are of the very highest of standards. They do vary somewhat between one course and another. Are there sufficient incentives in place to encourage

employers to offer good enough quality apprentice placements to meet the demand from young people?

*Mr Sherlock:* I suppose the commonsense answer to that is no, because we are always lacking enough good places. Lord Leitch's target of rising from roughly where we are now, about 200,000, to 500,000, seems to me to be eminently sensible, but we are going to need to make some sort of intervention in order to make that happen over and above exhortation and goodwill. That may require tax breaks or something of the kind, but we may need to look very carefully at how we involve business more widely. Plainly at the root of that is involving small business. Big business is not, generally speaking, the major problem here.

**Q207 Lord Vallance of Tummel:** What is needed to integrate successfully into work-based training programmes young people who have spent time in the NEET category, that is not in education, training or employment?

*Mr Sherlock:* We have to offer hope, I suppose. I talk to a lot of youngsters who have dropped out of school. Generally speaking, they have done so because they have found it boring and they felt it was not relevant to them, was not interesting. However, when you see the Prince of Wales Trust, for example, get a grip on them, the Prince of Wales Trust being a major provider of welfare-to-work programmes and so forth, you can see those young people absolutely blossom. It is a matter of finding things which are relevant to their lives. There is no particular difference between young people in this country and elsewhere. They want to succeed, they want to take part, they want to be recognised, all the usual kind of human things. It is a matter of finding some way of capturing their imagination and the traditional academic curriculum has not been very good at that. By the time we have got hold of them they have tended to be regarded as second-chancers.

**Q208 Lord Vallance of Tummel:** Is there a possibility of picking them up earlier? I was interested in what you said about Land Rover and 14-year-olds.

*Mr Sherlock:* Yes, there is. There will always be problems in terms of getting children into the workplace. It needs to be very carefully controlled and it needs a degree of altruism on the part of the employer to do it. I do think there is substantial altruism amongst employers; I really do. I talk to lots of employers who are highly enthusiastic about helping to resolve their own problems in terms of skills gaps and engaging young people and making the best of young people in this country.

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**Q209 Lord Skidelsky:** What, in your view, will be the effect of putting public funds and the power to determine training programmes in the hands of sector skills councils?

*Mr Sherlock:* I have to say I have some reservations about a number of the practical applications of Lord Leitch's analysis. His analysis in many cases is spot on, but I do worry about putting all our eggs in Train to Gain, a yet-to-be-developed individual learning account, and the planning role into sector skills councils. The reason for that is that it seems to me that it is unlikely that if you add all the various skill trades together you will get a proper adult learning strategy. There is a mounting level of criticism, and it is absolutely justified, of people saying that we are getting so obsessed with skills that we are forgetting the general development of a socially civilised country in which older people, for example, are kept active, kept involved and so forth. All of those things are necessary parts of the adult education system. My worry about putting more power in the hands of sector skills councils, apart from the same sorts of worries about their differing capability, which colleagues from the Institute of Directors voiced, would be that if you add together all their concerns they do not make an adult skills strategy or an adult learning strategy.

**Q210 Lord Skidelsky:** May I repeat a question which was asked of Mr Templeman? Would you favour a compulsion in training for 16- to 18-year-olds?

*Mr Sherlock:* I share some of his reservations. If somebody has already dropped out of school and taken up drug dealing at the age of 11 and has already been put inside a couple of times, the chances of having any impact on that person by saying it is compulsory to be at school from the age of 16 or in education and training, are negligible. On the one hand, I would say that it is unlikely to get to the people you have to get to; and, on the other hand, it

recognises what pragmatically already exists in many cases. I must say I have some real reservations about it, not because I do not want to see all young people given something meaningful to do between the ages of 16 to 18 and beyond, but because I am not sure about the role of compulsion in that or the effectiveness of compulsion.

**Q211 Lord Macdonald of Tradeston:** On the question of employers choosing to use Train to Gain to improve the skills of young employees in preference to apprenticeships, does that have the potential for setting up a conflict between competing government training programmes?

*Mr Sherlock:* It should not do, in the sense that Train to Gain and the whole brokerage service that goes with it was intended to be aimed at small employers who were inactive in training, who had not trained anybody with public subsidy for a year before, were not investors in people and so forth, and therefore could be presumed to be falling behind in the whole business of human resource development. Train to Gain is very much about training for a specific job. It is not about training for a career, which an apprenticeship is. If they did become blurred, and I have some worries about devaluation of Train to Gain as simply a subsidy on employment, if it did become blurred, it would undermine development of apprenticeships and it would undermine the development of a proper developmental route, something which is equal to but different from going through A levels or a diploma at college or whatever. That would be highly regrettable.

**Chairman:** Thank you very much. You have certainly given us some fascinating and interesting answers and highly relevant to what we are discussing. I suspect when you come to read our report, you will see whether we have learned what you had to say to us properly or not. Thank you very much all the same.

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TUESDAY 27 FEBRUARY 2007

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Present	Lawson of Blaby, L. Layard, L. Macdonald of Tradeston, L.	Sheldon, L. Vallance of Tummel, L. Wakeham, L. (Chairman)
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### Memorandum by the Trades Union Congress (TUC)

#### INTRODUCTION

1. The Trades Union Congress (TUC) is the national centre for trade unions representing 6.5 million workers in 65 affiliated trade unions. The TUC welcomes the opportunity to provide evidence to the House of Lords Select Committee on Economic Affairs' Inquiry into Employment and Training Opportunities for Low-Skilled Young People.
2. We address our evidence specifically to questions seven and eight, regarding whether existing training programmes have provided young people with adequate skills, looking particularly at Apprenticeships.
3. The TUC supports Apprenticeships and want to see their numbers grow. The commitment by Government to increase the number of Apprenticeships to 500,000 by 2020 is very welcome. However, we also recognise that the quality of Apprenticeships varies, with some apprentices receiving extremely low pay and inadequate training, with a resulting detrimental impact upon completion rates.
4. With the expansion of Apprenticeships, there must be an increase in efforts to ensure that all programmes are high quality and lead to good jobs, and are not an expansion of programme-led approaches without employed status. It is also crucial that tackling equality and diversity is at the heart of any expansion of Apprenticeship programmes.

#### PAY FOR APPRENTICES

5. Currently apprentices under the age of 18 and those in the first year of their Apprenticeship but under the age of 26 are exempt from the National Minimum Wage. These exemptions have been in place since 1999, without review. Since then there has been much evidence of the exploitative rates paid to some apprentices, including a report by the Department for Education and Skills<sup>1</sup> (DfES).
6. The DfES report provides grounds for concern, including the following finding:
  - There are a number of sectors where a significant percentage of apprentices earned less than £80 per week in 2005, including early years (49 per cent), hairdressing (41 per cent), retail (26 per cent), health and social care (22 per cent) and business administration (22 per cent).<sup>2</sup>
  - The average hairdressing apprentice earned £90 per week in 2005—an estimated £2.73 per hour.<sup>3</sup>
7. The Learning and Skills Council has now established a contractual provision with providers that apprentices should be paid at least £80 per week in those Apprenticeships that it helps to fund. While this is welcome, the TUC is concerned that this will not be enough to make serious inroads into the exploitation and unwelcome gender differences within the sector. In addition, it is not yet clear that the minimum payment requirement will be enforced in an effective way. Research by the Apprenticeship Taskforce noted that low wages are one of the significant reasons for non-completion of Apprenticeships.
8. A survey of 150 workplaces by the Labour Research Department published in July 2006 showed there is a “union effect” on apprentice wages.<sup>4</sup> Most of the respondents to the survey came from unionised workplaces, and around three out of ten pay at least £5.05 an hour. All of the pay rates from non-unionised workplaces were less than £3 an hour. The research, which was undertaken after the introduction of the £80 per week minimum, also identified examples of motor vehicle technicians earning £2.15 an hour, and £40 a week for an administrator working 32 hours per week.

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<sup>1</sup> “Apprenticeship Pay: A Survey of Earnings by Sector”, Anna Ullman and Gemma Deakin (BRMB Social Research), DfES Research Report 674, 2005. Note that the data in the report mixes gross pay and net pay. The TUC has asked that future surveys record gross pay so that compliance with the LSC £80 minimum pay requirement can be measured.

<sup>2</sup> *Ibid*, fig 4.3, p 21.

<sup>3</sup> *Ibid*, table 4.1, p 16.

<sup>4</sup> Labour Research Department, Workplace Report, No 38 July 2006, p 15–17.

## GENDER PAY GAP

9. The TUC is particularly concerned that the gender pay gap is much worse for apprentices than for employees as a whole:

- The average female apprentice earns just 74 per cent of the average male apprentice wage.<sup>5</sup>
- The bottom decile of apprentices in the female dominated early years, care and education sector earned just £40 per week in 2005, an estimated £1.21 per hour.<sup>6</sup>

10. The DfES report also found that 70 per cent of those in level 3 apprenticeships are male and that male apprentices receive more than twice as many hours of training per week.<sup>7</sup>

11. The Equal Opportunities Commission (EOC), which has called on the Government to extend the relevant age rate of the minimum wage to all apprentices, has already identified many of these problems,<sup>8</sup> including that those Apprenticeships which attract a majority of women receive lower remuneration than those which attract a majority of men.

12. Apprenticeships have also been shown to reinforce and indeed exacerbate occupational segregation,<sup>9</sup> Further, young people from black and ethnic minority communities are under-represented in Apprenticeships, and less likely to end up in employment upon completion of their Apprenticeship. Disabled people are also under-represented in Apprenticeships, although the data available is limited (this is something that should be addressed in the near future).

13. The Equal Opportunities Commission General Formal Investigation into Apprenticeships (EOC GFI) found that many young women would have made different choices had they known pay rates. Moreover, many young black people do not necessarily even get the chance to hear about apprenticeship vacancies.

## STEREOTYPING

14. Choices and opportunities during teenage years have important implications for job opportunities, future career paths, earning potential and quality of life. As outlined by the EOC, education is crucial to the achievement of equality between men and women.

15. While it is true that the way young people see themselves and their role in society is developed from an early age, the choices that are made by teenagers have a significant impact on their future.

16. Young people are socialised early in ways that impact on their career choices. Peer pressure, parents and careers advice are important influences and often lead to traditional choices. There are also barriers in post school training, for example, young women doing courses in male dominated areas will be in a minority. Young people from black and ethnic minority communities are more likely to undertake college based courses that do not lead to a job at the end of it.

17. The TUC, therefore, believes that it is critical to challenge stereotyped assumptions among this age group and those working with them.

## WORKPLACE BARRIERS

18. There are also important structural barriers in the workplace. Some employers hold stereotypical views about “appropriate” job roles for women and men, others recruit from traditional recruitment “pools” (for example, white men in construction, women in childcare and care work). The EOC GFI demonstrated that even where there are skills shortages in a sector, most employers still will not employ non-traditional recruits.

19. Barriers can include workplace culture (such as sexist or racist jokes, bullying and harassment), work practices (for example, long hours, lack of quality part-time work), lack of facilities (such as lack of single sex changing rooms) and absence of “critical mass” from a particular group, which may make it more difficult to settle into a workplace and feel supported at work.

<sup>5</sup> *Ibid*, p 19.

<sup>6</sup> *Ibid*, table 4.1, p 18.

<sup>7</sup> Average weekly on and off the job training for apprentices—male 23 hours; female 10 hours. Source: supplementary analysis of the data from the DfES report conducted by the TUC.

<sup>8</sup> “Minimum Wage for Modern Apprentices Would Help Close Gender Pay Gap”, EOC press release, 31 October 2003.

<sup>9</sup> The Equal Opportunities Commission General Formal Investigation into Occupational Segregation and Apprenticeships showed that for example while 8 per cent of employees in the engineering sector are women, only 6 per cent of apprentice engineers are women.

20. There is also evidence that some employers, often small and without a union presence, view discrimination as acceptable: evidence from the EOC's other General Formal Investigation on pregnancy suggest that this is an area where discrimination is rife. It should also be noted that even if senior management is committed to equality and diversity, in practice middle or line managers often do not support this, which may perpetuate discriminatory workplace cultures.

#### SUPPORTING APPRENTICES

21. Where apprentices are supported in their role and in particular have a workplace "mentor", they are more likely to have a positive experience in their Apprenticeship. However good practice is not particularly widespread.

22. The role of providers in ensuring the quality of Apprenticeships is vitally important. Where assessors visit apprentices infrequently, there is little opportunity for their experience to be monitored.

23. There are also other barriers to completion, for example the amount of paperwork apprentices are required to submit.

24. Without addressing these factors, the barriers to entering non-traditional sectors may be too high. Further, recruiting and training people into a sector where they are currently in the minority may seem like too much of an effort for employers, who will look for the bottom line benefits.

#### RECOMMENDATIONS

##### *Challenging stereotypes*

25. The DfES should investigate piloting of Apprenticeships that explicitly seek to engage women and men into non-traditional areas, attempting to achieve "critical mass". This would need to be linked to real jobs and require employer engagement.

26. Given the over-representation of young black people on programme led apprenticeships, the DfES could pilot opportunities for increasing work placements that lead to real jobs or employment based Apprenticeships. For example a pilot could be carried out in relation the Olympics.

27. There must be more research on equality and diversity and in particular the opportunities of young people from black and ethnic minority communities, especially in regard to pay.

28. The TUC also believes that challenging stereotypes should be part of the core school curriculum and that young people ought to be encouraged to undertake work experience in a non-traditional area, and supported in this decision.

29. Young people should be made aware of the various options that are available to them through high quality, objective advice and guidance, taking account of their interests and abilities. The personal careers interview should be with a teacher or careers adviser who has been trained to open up choices, challenge gender stereotyping and promote non-traditional work opportunities.

30. The recent commitment to expand Apprenticeships for Adults is welcome and provides an excellent opportunity to build equality and diversity, particularly as older women are more likely to make non-stereotypical choices. This could also help men choose areas usually dominated by women. However equality and diversity must be explicitly built into the development of Apprenticeships for Adults.

##### *Procurement*

31. The Government should support the use of procurement contracts to increase take up of Apprenticeships, and to boost equality for women, black and ethnic minority and disabled people in Apprenticeships.

##### *Sectors skills councils*

32. The equality and diversity remit of Sector Skills Agreements should be significantly strengthened so that Sector Skills Councils are obliged to come up with concrete initiatives for improving training opportunities for women, black and ethnic minority and disabled workers, with clearly prescribed Apprenticeship targets and outcomes.

33. Given the lack of progression opportunities in the areas where young women tend to be concentrated, such as retail, compared to those for young men, Sectors Skills Councils should explicitly look at boosting the opportunities to progress to level 3 Apprenticeships and beyond across all programmes.

*National minimum wage*

34. The LPC's 2006 report recommended that "the Government invite the Commission to carry out a full review of the apprenticeship exemptions and report in 2008".<sup>10</sup> Given the evidence that has come to light since the last Commission report, the need for such a review is now even more urgent.

35. The Government should, therefore, respond positively to the recommendation from the Low Pay Commission that it be asked to review the current exemption of apprentices from the National Minimum Wage.

*A high quality vision*

36. The Apprenticeship programme, and its welcome extension, should be underpinned by strategies to increase both quality and equality.

37. The Government should promote a "vision" for a high quality Apprenticeships, with good pay and high quality training, and including the role of workplace mentors, including union representatives. This should be incorporated into the Apprenticeships "blueprint" and promoted more widely.

38. The Government should lead by example as an employer, both in boosting provision of high quality Apprenticeships and tackling issues of equality and diversity.

39. There needs to be transparency on Apprenticeship opportunities, pay and training through, for example, a national website to help drive up standards.

40. The role of providers in ensuring the quality of Apprenticeships should be closely monitored and reviewed.

41. The amount of paperwork that apprentices are required to complete by hand could be reduced through IT-based solutions.

CONCLUSIONS

42. The TUC supports Apprenticeships and want to see their numbers grow. The commitment by Government to increase the number of Apprenticeships to 500,000 by 2020 is very welcome. However with the expansion of Apprenticeships, there must be an increase in efforts to ensure that all programmes are high quality and lead to good jobs, and are not an expansion of programme-led approaches without employed status. It is also crucial that tackling equality and diversity is at the heart of any expansion of Apprenticeship programmes.

3 January 2007

**Examination of Witnesses**

Witnesses: Ms FRANCES O'GRADY, Deputy General Secretary, MR RAJ JETHWA, Policy Officer, and Ms CAROLINE SMITH, Policy Officer, Trades Union Congress, examined.

**Q212 Chairman:** Good afternoon and welcome to our Select Committee. I am always told to say to everybody that we should speak up and speak slowly so we are sure to get an accurate account of what you have to say, if that is all right. You know that we are going to ask you some questions but is there anything you would like to say before we start?

*Ms O'Grady:* Thank you very much, my Lord Chairman. My name is Frances O'Grady, I am the Deputy General Secretary of the TUC. I am joined by my colleagues, Caroline Smith and Raj Jethwa from the TUC. First of all, we would like to thank you for

the opportunity to give evidence. Apprenticeships is something that is very close to the heart of the TUC as a trade union movement and we have a very strong commitment to seeing them grow. I would like to make just a couple of very quick and simple points. We see apprenticeships as key to UK economic competitiveness. We know that one-fifth of the productivity gap with France and Germany is down to inferior skill levels in the UK and we think apprenticeships can help us narrow that gap. We also make no apologies for saying that we think there is a very important social justice objective behind seeing

<sup>10</sup> "The National Minimum Wage—Low Pay Commission Report 2006", LPC 2006, pxvii.

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apprenticeships grow. In particular, we are keen to tackle what we see as a lack of full and equal access for young black people in this country and also the pay gap for apprentices between young men and young women which is actually the biggest gender pay gap in the country, so we would like to see that tackled too. We welcome Lord Leitch's ambition to double the number of apprenticeships but we want to do that in a way that does not in any way compromise quality or damage a brand that is held in very high self-esteem, crucially by young people and parents, but also by many employers and trade unions too. Our role is to champion the interests of working people, including young workers, and that is why as the TUC we believe that there should be a review of the exemption of apprentices from the National Minimum Wage. We recognise that there are many good programmes in place and I have personally visited a number, including recently Network Rail, Toyota, Mersey Travel and so on, but we think there is a big mountain to climb for some employers. I would just want to end my introductory comments by saying that there has been a good deal of disquiet in the trade union movement expressed in response to some of the comments we have heard from some quarters criticising young apprentices and their staying power, their work ethic, whether or not they will turn in to a job in the morning and whether or not they are worth the money. Especially in the light of that UNICEF report, we would like to place on record our pride in young people and young apprentices in this country, and we think they really deserve proper support and backing to see a real improvement in completion rates for apprentices, to see real opportunities, especially in areas and projects like the Olympics that really should give opportunities to young people, not least young people in East London as well as others, and ensure that we give our young people the best opportunities on offer through high quality vocational training.

**Q213 Chairman:** Thank you very much. Thank you also for your written evidence which set out your strong support for apprenticeships. I wonder what you think could be done to encourage more employers to become directly involved in providing the high quality apprenticeships that you have already referred to?

*Ms O'Grady:* Again, I would like to stress that we do recognise there are some very good employers, particularly those who recognise unions and work with us and our 15,000 strong army of union learning representatives in developing agreements on apprenticeships and provide one-to-one support through union learning reps as mentors for those apprentices, which we have evidence helps their staying power in terms of completing the programme. However, we are not convinced that the

voluntary approach will deliver that ambition set out in the Leitch report to double apprentices by 2020 without some stronger policy instruments and some stronger incentives for creating a level playing field amongst employers, ensuring that those who do invest in training and apprenticeship programmes are not penalised, undercut or face poaching from those who do not. In particular, we welcome the Sector Skills Councils, we think those are an important way forward and the Sector Skills Agreements that have targets for apprenticeships are very welcome. If we are going to see those translated into real companies and real workplaces and down supply chains, then we are going to need some stronger measures to ensure that happens. We would encourage the Government to think about using its £125 billion procurement power. We have taken advice on this and we are clear that EU competition laws do allow the Government to use procurement contracts to promote high quality vocational training, including apprenticeships, and that can be used to ensure there is fair access and opportunities for apprenticeships too. We think that the Government also needs to lead by example. We are very conscious that only 10 per cent of apprentices currently are in the public sector. We would be happy to discuss some of the reasons for that but even with mitigating factors like outsourcing, direct works and all sorts of other issues, that does not explain fully the gap between public and private sector commitment to taking on apprentices. We think there could be some catch-up there. Another way to encourage employers to engage in the programme is by strengthening the role of the workforce voice, which is a way of expressing demand for apprentices. Our union learning reps are already doing a great job but if there was a statutory right to bargain on training we think we could do even more.

**Q214 Lord Lawson of Blaby:** My Lord Chairman, I must apologise to begin with, I have to leave early because of another meeting. I hope you will not feel there is any discourtesy towards you. I am very sorry that I shall not be able to hear all that you have to say but I shall look forward to reading it. May I just ask one question which is something which preoccupies me on this subject. You mentioned in your introductory remarks that, so far as skill levels are concerned, we compare unfavourably with France and Germany and some other countries too. We have had a great deal of evidence so far in this inquiry that the heart of the problem is at an earlier stage. It is that there is in this country, it seems, a much larger proportion of school leavers who leave without the adequate standards of literacy and numeracy, which is going to make their subsequent work life very much harder, however good the apprenticeship programmes are. Do you accept this diagnosis that

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the problem starts there with literacy and numeracy in schools, that too many school leavers do not have these skills, basic elementary skills? If you do accept it, what would be your proposal for improving the situation?

*Ms O'Grady:* We certainly do accept that there is a problem and we do believe that there has to be a sharing of responsibility between government, employers and individuals in putting that problem right.

**Q215 Lord Lawson of Blaby:** I am sorry, I did not make myself clear. Of course it is possible to some extent to put it right at a later stage but it is much harder to do it then than to get it right at an earlier stage.

*Ms O'Grady:* I am sure you are right. However, as a country we cannot afford only to tackle the problem with 16-year olds now because, as we know, and I think Lord Leitch's report made very clear, the demographics are such that 70 per cent of the workforce in 2020 have already finished their compulsory school education, so we have got to tackle the issue in respect of the existing workforce as well as the workforce-to-be. Certainly there is an issue that needs to be tackled and we want to see the best schooling available to equip young people with the skills that they need, but sometimes there is confusion between basic skills, key skills and employability skills. We would support those employers who argue that we need to equip young people with key skills as well as basic skills to improve their employability at work, but we also think there is a shared responsibility in doing that. Just to reference back to my introductory remarks, it worries me when you sometimes hear comments which almost could be interpreted as saying that young people should be readymade at the age of 16 as if they are robots to be catapulted into the world of work, when actually the good employers that we work with put a lot of time and effort into recognising that there is a whole development process in terms of young people entering the world of work, which requires a lot of support and time and commitment and that there is a social responsibility for all of us to do that.

**Lord Lawson of Blaby:** Thank you.

**Q216 Lord Sheldon:** Do you want statutory regulation of arrangements for apprentices?

*Ms O'Grady:* I think we need to be clear what that means. Certainly we think that we should not be too proud not to learn lessons from other EU Member States who do tend to have a stronger regulatory framework for apprenticeships. On the other hand, we do not need to carbon copy them. Whatever we do has got to suit the UK culture, needs and priorities. I think I mentioned before that we are concerned that currently there are too many disincentives in the

system for employers to invest in apprenticeships and, indeed, skills, not least because unless everybody is doing it that creates a very uneven playing field. We think a step in the right direction was taken by setting up Sector Skills Councils, on which trade unions are represented to work with employers on developing agreements. But it is social partnership light; it is not the full bodied social partnership that we would like to see and that, frankly, has been successful in other EU Member States where there is a greater parity of voice and engagement and a co-operative approach on the part of employers and unions to developing apprenticeship programmes to a high quality. We know that Lord Leitch is recommending a review of Sector Skills Councils and their licensing arrangements and we would certainly be keen to see a strengthening of the union voice on them. We would also be keen to see an earlier manifesto commitment that was made, that where the social partners agree there should be statutory underpinning of those agreements on training provision, which could of course include apprenticeships, could include raising a levy, a whole range of initiatives, including on basic skills, that all companies in a particular sector would therefore be signed up to.

**Q217 Lord Sheldon:** What you want, in other words, is a fairly wide range of decision-making in this area?

*Ms O'Grady:* I think some of the lessons from other countries that are more successful show that there is a menu, a whole range of measures that need to be taken. It is partly about regulations, partly about institutions and the quality of those and the relationship between, for example, higher education institutions and apprenticeship programmes, partly about investment in R&D that creates the demand in the first place, and also harder to define but just as important issues around culture, what employers and unions and other key players feel are their obligations to create a successful economy and a fair society.

**Q218 Lord Lawson of Blaby:** If I may ask a very quick rider. Would you exempt firms below a certain size from this requirement and, if so, what size?

*Ms O'Grady:* From a requirement to commit to apprenticeships?

**Q219 Lord Lawson of Blaby:** Yes, and pay a levy and so on.

*Ms O'Grady:* I think I would reverse the burden of proof and ask you to explain to me why a firm, because of its size, could not commit itself in general terms to training provision. But in practice what I would prioritise is those companies at the head of supply chains, and I think the CBI have done a fair bit of work in this area. If you get the head of the

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supply chain right in setting high standards that then follow through those contracts, that is a very effective way of raising skill levels throughout.

**Q220 Lord Layard:** I wonder if we could discuss the quality of apprenticeships. How satisfied are you with the actual content of apprenticeships, the on-the-job element, the off-the-job element? How satisfied are you with their completion rates? What should be changed in any of those areas? What is the role of the trade unions in securing improvement?

*Ms O'Grady:* I think we would want to acknowledge that there has been an improvement in completion rates, albeit from a low base. What is interesting in terms of our own research is that there is an association between that improvement in completion and a growing role for FE in delivering the classroom element of apprenticeships, which I think is worth noting. FE does not always get a great press but is serving to improve standards in this area and that is important. In terms of the contract, we are very conscious that there has been a very strong employer lobby for greater flexibility. Certainly we do not want unnecessary rigidities within the apprenticeship programmes and we are conscious that Sector Skills Councils will take a much bigger role in determining the content of programmes and, indeed, the qualifications frameworks. In principle we are happy to support that. However, we are also aware, which you no doubt are too, of the very, very big disparities between on and off-the-job training between different kinds of apprenticeships. Frankly, it tends to be the ones that are the worst paid, where the completion rates are worse, that get the least off-the-job training. Coincidentally, those are the apprenticeships that also tend to be peopled by young women. Although in principle we are happy to see flexibility, we are happy to see Sector Skills Councils drive the content, we do think there need to be some minimum standards that do provide a floor for quality below which nobody can fall, including seriously considering whether there should be minimum off-the-job training. We say this not because we think all employers are bad, far from it, but in our own experience we have come across cases where frankly our fear is that in some cases the very poorly paid, poor low quality apprenticeships are simply being used as a cheap substitute for labour. There are cases of that happening. They are documented and it is something that, even if it is a minority, we need to guard against. Just in terms of the trade union role, increasingly we are getting actively engaged in making apprenticeship agreements. We are represented on the Skills Councils. But, crucially, our learning reps on the ground in workplaces are often the best people to maintain some quality control and provide some very real best friend support to individual apprentices and we know that they have

been very successful in helping them stay the course when it gets difficult, being somebody to turn to when they do make a mistake, which as a teenage worker they do.

**Q221 Lord Vallance of Tummel:** You have talked a little bit about the Sector Skills Councils *en passant*. I wonder if we could drill down a little bit more on that. There are some sectors which have the reputation of being good at apprenticeships and there are others which might be said to be falling rather further behind. I wonder if you can say anything about what those sectors are and what might be done for those that traditionally are not very good at it. Picking up on Lord Lawson's point earlier, the bulk of employment opportunities in the UK are with SMEs. The area of business which is most reluctant to provide apprenticeships is the SMEs and, of course, the areas where there is least union recognition is amongst the SMEs. What do you think the Sector Skills Council can do in that context?

*Ms O'Grady:* I am going to bring my colleague in but if I can just be cheeky and say another way of describing the workforce is that 70 per cent of the workforce is employed in big and medium-sized companies. So we need to be careful we do not overstate the importance of small companies as an engine for employment growth, because the bulk of the workforce is employed in the big and medium-sized companies. Also, you are absolutely right that in terms of small companies you can get the best and the worst. In some of the small companies we know and work for, such as the London Manufacturing Group where we work very actively with them through the TUC unionlearn, you often get individuals who are the most fantastic advocates for apprentices and very committed. I agree that the record on training as a whole in small companies makes up part of that long and dirty tail where we know that the headline figure is one in three employers are not providing any regular training at all in Britain.

*Ms Smith:* I suppose there are a couple of issues with respect to sectors that we could perhaps pick up on, that might throw some light on some of these questions. If we look at the balance of hours on the job without training as against hours with on-the-job training and off-the-job training and college-based, something like an engineering apprenticeship has a pretty even split between those three areas. If you compare that to something like early years care, the balance is much more strongly towards just being on the job, working without receiving any training. There was a survey by the DfES last year that looked at a number of issues, including pay, and that survey did show that, for example, in the early years care sector, about 70 per cent of an apprentice's time was just at work. Obviously, there are different examples

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we could bring in but that is one thing that does highlight some of the differences. We could also look at the issues of pay. Again, certainly the higher paid sectors were some of the more traditional sectors like engineering and electro technical. But at the other end of the scale, on something like early years care, quite an insightful statistic from that was around about 50 per cent of those surveyed earned less than £80 a week—so huge disparities in pay as well. It is also worth noting the gender pay gap because it is very much the case, as evidenced by that survey, that the gender pay gap in apprenticeships is higher than in the workforce as a whole at 26 per cent.

*Ms O'Grady:* Just to say what do we do about it, given there are areas like retail and hospitality where we know that the record is relatively poor, ultimately I think as a country we need to say what do we do where there is evidently chronic market failure, where the voluntary approach is not delivering, do we just continue to leave it to the free market or do we step in? The TUC believes that where there is market failure ultimately we have to step in because it is for the greater good of the economy to sort that problem out. There are various ways of doing it, softer ways, carrots as well as sticks, if you like. For example, setting higher licence-to-operate standards, certainly in sensitive areas like care, has probably had the biggest impact on training provision in that sector, bigger than any other measures, simply setting higher standards for quality of service delivery. Those sorts of softer measures can be explored, alongside using procurement more creatively, alongside giving individuals a right to paid training, alongside strengthening the role of trade unions and being able to negotiate agreements that cover sectors.

**Q222 Lord Macdonald of Tradeston:** On the question of the under-representation of minority groups in apprenticeships, one argument we have been hearing is that the employers should play a much stronger role in this whole process. We could speculate that SMEs in very highly competitive environments fighting for survival and profit often have their horizons bounded by the sector that they are in and, therefore, are not necessarily the people who would be most responsive to concerns about gender or ethnicity. Do you see that as a particular problem if we go in the direction of handing more responsibility to employers? If that is a concern of yours, how do you think this enduring problem of under-representation should be addressed?

*Ms O'Grady:* We are pragmatists, so we absolutely support the need for greater employer engagement and employer voice in apprenticeships. However, we also believe that, alongside that, there should be a greater voice for learners. We are certainly key representatives of the workforce as learners and would like to play a partnership role alongside

employers in meeting the ambitions that we have set ourselves. A number of organisations have been looking at what I believe are actually very worrying facts and figures on race and employment in this country, which the apprenticeship figures basically mirror. They are a bit worse but they mirror the same problem, which is the problem of getting the job in the first place, for young black and ethnic minority people getting an apprenticeship. Then, even if they get in the door, young black people are disproportionately represented on apprenticeship programmes rather than those with a link with an employer. Even if they have got the link with the employer, they tend not to be some of the more prestigious ones where basically, if you show that on your CV, you are guaranteed a decent wage and a good career in the future. We have had report after report after report, including a much respected report from John Cassells, that has highlighted this problem, and yet we have seen no significant improvement on those figures at all. Similarly, on job segregation most recently the Women in Work Commission, and before that the EOC formal investigation, showed very crude segregation and capping of young women's aspirations. Some things can be done to support young people in getting a better deal. I was very struck by the finding from the EOC formal investigation that, had young women known what the pay rates were for different apprenticeships, they very likely would have made a different choice. It seems to me if we as a country cannot have the wit to be able to set out in an easily accessible form for young people and their parents how much you get paid for going on to different apprenticeships, that is a problem. Similarly, if we cannot yet ensure that young black and ethnic minority people get a fair and equal chance at a decent quality apprenticeship, now is the time for positive action.

**Q223 Lord Macdonald of Tradeston:** Could I just follow up on that. In the various surveys that you quote, can you see a distinction between the performance of SMEs and larger employers in delivering the kind of equity that you are looking for? *Ms Smith:* In terms of apprenticeship figures, there is not much known about which employers take on apprentices because all the data is based around individuals, and particularly the individual learner record. From the key statistical sources we do not have that information.

**Q224 Chairman:** One of the things that did not seem to come out of that last answer was I am surprised you did not say that the careers advice that is given for school leavers is not as good as it ought to be. Would that be a view that you have?

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*Ms O'Grady:* We certainly believe that the Young Apprenticeship programme and advice and guidance given to young people could be more challenging in terms of some of the stereotypical choices that unfortunately peer pressure can often lead people towards. Again, I was very struck by the number of young men who were interested in childcare apprenticeships who would not even think of applying because, frankly, in some school cultures the first thing they would get called is gay, and that is real, what young people are saying for themselves they face if they make a non-traditional choice. Yes, we certainly need stronger support and guidance. I would just add that the TUC, in the materials that we have produced for schools to be used as part of the active citizenship curriculum, specifically address this issue.

*Mr Jethwa:* Certainly we have concerns about the nature and quality of careers advice and its role here, but young people's perceptions about what they are going to do in life are not just shaped by the advice they get from careers advisers. We are talking about trying to break down stereotypes which have been embedded over many years. We think there is a role beyond just careers advice and I think Lord Lawson's question alluded to this. There needs to be active engagement within the curriculum itself at a much earlier age by employers and, indeed, by unions. Some of the work we have been doing is to train young trade unionists to go into a class and talk about the world of work. We think there is a whole area of work that needs to be developed here, where employers play a key role in the community and unions can as well, to break down those stereotypes at a much earlier age. If it is left to the choice that a young person makes at 14, 15 or 16 based on interaction with the careers adviser, we will never get round to breaking the much more deep-seated stereotypes they have. So I really think that is a key point as well. The citizenship agenda ought to have more opportunity for development of interesting and engaging programmes around how young people think about the world of work and we think more ought to be done to develop that as well.

*Ms O'Grady:* Can I just make one other point, not wishing to be circular but the point is worth repeating. If you take an industry like construction, where I believe there is top level commitment to equality issues, the figures, as again I am sure you know all too well, are pretty shocking in respect of young black people and young women going into apprenticeships, less than three per cent, and no shift for decades on that figure despite all the pronouncements at the top of the industry. We know there are going to be issues of unconscious discrimination. Fundamentally there are issues about the nature of the industry itself and the degree of subcontracting and indirect employment, bogus self-employment, that mitigate against grappling with

this problem. We have got that on the one hand. On the other hand, government is the single biggest purchaser of construction in this country. It seems to me we have got some leverage there that is not being used and should be, because it is perfectly legitimate and complementary to set good economic goals about our competitiveness and good social goals about wishing to see greater fairness and equality of opportunity.

**Q225 Chairman:** The next question I have got seems to me rather a summary of everything you have already said to us, so I do not really want you to say it all again. How far is the TUC satisfied with the recent developments of policy on apprenticeships? You have said some good things and you have said some things that give us cause for concern, but is there anything you have not said that you would like to say in answer to that question?

*Ms O'Grady:* I would like to acknowledge a very strong lead has been given in terms of messages from the Government about the importance of apprenticeships. A number of agencies, including the LSC, Sector Skills Councils and Sir Roy Gardiner's group, for example, have played a very important role in pressing that message. Unions are trying to play our part too. My key message would be, we cannot just carry on doing what we have been doing so far. We will not meet the ambition by doing more of the same and I do think that we should be prepared to give the kind of leadership that involves seizing some stronger policy instruments to create that step change that we all want to see.

**Q226 Lord Sheldon:** Should all 16–18 year olds be in education and training? If so, how would you go about it?

*Ms O'Grady:* I do not know why my son's face came into my mind at that point. That is my own personal reality test! It has been a longstanding policy position of the TUC that we believe all young people should either be in education or quality training until the age of 18, a job with quality training or an apprenticeship. We would certainly like to reduce to zero the number of young people who are not in education and not in training of any kind. We think that is wrong. All young people should have that chance. Clearly, there are very big and practical issues we need to get to grips with here, as anybody who has ever brought up a teenager knows, in terms of catching their imagination and making sure, where we have those education and vocational training opportunities, they really do excite them and secure their commitment and stretch them. That has implications for the education and training workforce and their ability at skills levels to provide that kind of inspiration to young people. One other key point is that it would mean that we need to get to

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grips with what is still a very significant gap in funding between school sixth forms and FE. You cannot say we will have parity of esteem for the academic and vocational routes if you put significantly less money into one rather than the other. You send a very strong message when you have that kind of two-tier approach. Also, increasingly with the growth of the knowledge economy, we could do with tearing down some of these very outdated barriers that persist between the academic and vocational routes which increasingly are looking nonsensical in a number of areas. We need much closer collaboration between HE and FE, much closer collaboration between HE and FE and employers in the world of work, representatives of learners in the workplace, so that we really are addressing the skills needs of the future and not some 20 years ago image of what the economy was.

**Q227 Chairman:** We had a witness who came to us last week, I think, and we were talking about whether or not society should require 16–18 year olds to continue their training. I think everybody would agree it is highly desirable and it is inconceivable that it should not be done wherever it possibly can be. I think the answer he gave was in fact, for those who do not do it, there are so many problems in terms of their life that it would not add very much to the process. It would add a lot of bureaucracy and would not get much training for the 16–18 year olds who were not in some way or other voluntarily going to do it. The question really is, should it be the law that 16–18 year olds have to go into training? That is the question we are really after.

*Ms O'Grady:* We believe it should. If you look back to our original Congress in 1868, you will find a motion that debated this very issue. Any of the political debates about the school leaving age and compulsory education would have grappled with these same dilemmas on what about those who do not want to or have dropped out of school, et cetera.

**Chairman:** That is what I wanted to be clear about.

**Q228 Lord Layard:** Can I just put in parenthesis that the 1944 Education Act added in “when resources permitted”.

*Ms O'Grady:* If you are going to do it, do it properly!

**Q229 Lord Layard:** My question was going back to your remark about the levy. Obviously there are sticks and carrots and a potential carrot is the Government is spending £3,000 a year roughly on each apprentice. Can you not achieve the same result you want to achieve with a levy, which is like punishing people who do not try by a subsidy, giving the £3,000 to the employer because he has got to use it in whatever way is necessary to satisfy the requirements of the apprenticeship scheme? Can you

think of creative ways of using the money that we have rather than wanting to do it the other way round?

*Ms O'Grady:* Again, we approach this from the basic principle that everybody needs to put into the pot, which is the first thing to say, because not everybody does. I am surprised that those employers who do invest are not putting more pressure on those who do not, although we are very pleased that some of the sector agreements have set up a levy for the first time. The broadcasting industry, for example, has just agreed that. We think that is a sensible way forward. Clearly, there is a much bigger debate about what should the Government contribute and what should be left to employers, and there has been a kind of broad agreement that the state has an obligation to get people up to the level that they should have been at when they left school. So it is quite right and proper, for economic and social reasons, that the Government's monies are prioritised on basic skills, and beyond that into Level 3 you start talking about deals, about part contributions from each. I am not sure, I do not think I am really answering your question.

**Q230 Lord Layard:** I am just saying there are two ways. One is through a levy, which is refundable, to penalise the people who do not try, and the other is to pay people who do. We are paying lots of money but paying it mainly to intermediaries, to providers. Supposing we paid the money to the firms, could we not produce the same result you want without having to go back over issues which are unlikely to get resolved with levies?

*Ms O'Grady:* Yes.

*Ms Smith:* I guess the money that goes to the intermediaries, to the providers, is to pay for the training rather than a pot of money that is used for other purposes. In effect, that means that the kind of off-the-job training is already paid for, so I do not quite see how giving it directly to employers, which presumably would also still need to go on to that same training, would make an enormous difference.

**Q231 Lord Layard:** The same applies to a levy.

*Ms O'Grady:* I think there might be scope for looking at redistributing some of the tax concessions. If you are looking at fiscal measures there are some of the tax concessions enjoyed by employers. The recent debate on private equity has highlighted some areas where maybe there could be some redistribution from some of the tax relief offered to private equity firms on debt which could be redirected into more investment in training.

**Q232 Chairman:** My conclusion from what you have been saying is, whilst you did not endorse exactly what Lord Layard was proposing, the objective of

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spreading the burden across all the employers as widely as possible and giving an incentive to employers to take advantage of opportunities for training would not come amiss, as far as you are concerned.

*Ms O'Grady:* Absolutely.

**Chairman:** Let us bring this session to a close by saying thank you very much for coming. You have answered our questions very fully and it has been very helpful to us. Thank you.

### Examination of Witnesses

Witnesses: MR DAVID HINCHLIFFE, Deputy Director General, and MR JOHN LANDERYOU, Head of Post-16 Division, Ofsted, examined.

**Q233 Chairman:** Good afternoon. You are very welcome. You know what we are inquiring into and you know we are going to ask you some questions that you have very kindly agreed to come and answer. I am bidden to say to you right at the beginning if you can speak up and relatively slowly, and that applies to us as well as you, of course, we stand a better chance of getting an accurate account of what you say, which is very important to us. Do you want to say something by way of opening remarks before we get on with the questions, or not? It is entirely up to you.

*Mr Hinchliffe:* No, I do not think so. We have had the questions.

**Q234 Chairman:** Fine. Let me start and ask you about the proportion of 16-year olds who have problems with basic skills that are severe enough either to prevent them from continuing to further education or work-based training at all or to severely constrain any further education or training. What sort of proportion are we talking about here?

*Mr Hinchliffe:* If I start with schools and then John will pass on to other areas. First of all, I would say that if we look at those youngsters who are gaining five or more GCSEs at grades A-C, including English and Mathematics, this year that is 45 per cent of the cohort. The rise has been quite slow since 2003 when it was 42 per cent. What is more worrying is the proportions of youngsters who get no GCSEs at all. Currently, that is too high with 4.1 per cent of boys getting no GCSE qualifications at 16 and 2.4 per cent of girls getting no qualifications. That was in 2006. It is still quite a high proportion of youngsters who are getting nothing at all. Interestingly, the evidence seems to suggest that the increase in the curriculum flexibility that is currently coming into place for 14–19 education and is starting to have an impact on those particular students and they are achieving higher than they were. From our point of view, one of the major contributory factors to youngsters not getting a qualification at 16 is their poor attendance and that is something we want to raise. Clearly, if they are not at school they are not going to achieve anything, and attendance is still a very strong factor for those youngsters who do not achieve anything.

**Q235 Chairman:** Can I make sure I understand you. 45 per cent reach a reasonably satisfactory level?

*Mr Hinchliffe:* Yes.

**Q236 Chairman:** Presumably that includes those who are going on to higher education and university?

*Mr Hinchliffe:* It does.

**Q237 Chairman:** So what per centage, roughly speaking, are we talking about that disappear from the area we are looking at?

*Mr Hinchliffe:* There are still quite a lot of those youngsters who go on to FE who do not get five grades A-C. If we take the Leitch report, that seems to suggest one in six youngsters are not able to move on to anything else and do not go on to anything else. Again, that 4.1 per cent and 2.4 per cent of boys and girls who get no qualifications are not well equipped to move on to anything.

**Q238 Lord Macdonald of Tradeston:** No doubt I am showing my age here but it seems to me a remarkably positive result that you have got it down to two per cent and four per cent. What is the evidence, if it is comparable, over the decades for the improvement or decline in numeracy and literacy? My own impression, having no qualifications of any kind, is that people are a lot better educated than my generation were.

*Mr Hinchliffe:* I think it is very true that things have improved and it would be very wrong to think that it is all doom and gloom. It is not. I cannot give you the exact figures but certainly things have improved decade on decade and have improved over the last few years. It is very clear that there have been big improvements since 1994–95 when the proportion of boys who did not get a qualification was 9.4 per cent, for example, and the proportion of girls was 6.9 per cent. So there has been a big improvement and that is coming through.

**Q239 Lord Macdonald of Tradeston:** Does that mean that the world is changing and becoming more demanding and, therefore, kids have to work harder to keep up with it, rather than the implication you often hear that somehow they are dumber than they

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used to be, lazier or diseased by television and affluence?

*Mr Hinchliffe:* I do not think the world is getting harder but we are looking to have more youngsters passing through the system and going on to the next stage of education. Clearly, for us, one of the issues is to make sure that all those youngsters have the opportunity and the chance. Having said that, things are improving and we should not forget that, but four per cent is still a large proportion of youngsters who are not going to be able to move forward and I guess they are youngsters who are going into employment at 16 which has got very little opportunity or training for them to move forward, and they tend to be stuck in the system.

**Q240 Chairman:** I think I am way behind the game, if I may say so. Can I just be sure I understand. If you talk about 100 per cent, of which 45 per cent get reasonable levels, then my mathematics say there are 55 per cent who do not, is that right?

*Mr Hinchliffe:* There are 55 per cent who get less than the five GCSEs at grades A-C, which includes English and Mathematics.

**Q241 Chairman:** Less than what we said was the basic?

*Mr Hinchliffe:* That is right.

**Q242 Chairman:** Of the 45 per cent, something like 30 per cent go to higher education, so there are 15 per cent. So 15 plus 55, of the people who are going into vocational training which represents something like 60 per cent of all those who leave school, of which maybe a quarter have got the basic educational requirements we are talking about and three-quarters have not. Is that right or wrong?

*Mr Hinchliffe:* I think that is wrong.

**Q243 Chairman:** Perhaps you might explain to me. I am perfectly prepared to listen to the answers. What I want to know is we are talking about 100 per cent, of which 45 per cent have got to the level which you said was reasonable, that is five GCSEs including maths and English. So there are 55 per cent who have not, is that right?

*Mr Hinchliffe:* Yes.

**Lord Macdonald of Tradeston:** When you say “reasonable”, what does “reasonable” mean?

**Q244 Chairman:** That was what he said. That was his answer to me—45 per cent have got five GCSEs which include maths and English.

*Mr Hinchliffe:* At A-C. What we are saying is, if we look at those grades that fall below grades A-C, there is a large proportion, about 97 per cent, of youngsters who get some GCSEs. There is a small proportion of youngsters, about three per cent, who do not get any

qualification at all, and that is either an A-C grade in a GCSE or a grade which is below C.

**Chairman:** I hear what you say, that is fine.

**Q245 Lord Sheldon:** In some other countries there is better literacy and numeracy of young people. Is there something we can learn from them?

*Mr Hinchliffe:* Yes. England is ranked about fifteenth out of 44 countries on the PISA data, that is the data we have of youngsters at age 14 in English, and in mathematics we are ranked about twenty-first. The three countries that are top of the charts are Finland, South Korea and Canada. There are one or two lessons that we can learn but they are very different cultures and very different contexts, so it is very difficult to draw lessons across. In Finland, which is right at the top of the table in terms of literacy and numeracy, one of the things that is different is the level of teacher qualifications. There, all teachers have got a very high qualification. They have all got a Masters degree, and entry to training is very, very highly competitive. The other thing that is possibly different from our system is they have moved away from uniformity in Finland and they now are trying to develop personalised learning, which is something that is very much on our agenda but is well developed in Finland. They do encourage their headteachers to take more responsibility and to be more accountable locally for meeting the requirements of the youngsters. They allow the schools to decide on the sort of curriculum that the youngsters need to meet local requirements, which is very different from what happens in England. The difference between Finland and this country is that over the last two decades we have had a National Curriculum which has been very centralised. There is more flexibility now, and we are moving in that direction in this country. The only thing to say with somewhere like Finland is that it is a very different sort of environment, it is very much more homogeneous in terms of where the youngsters go to school and there is very little difference in terms of the differences in schools and institutions, whereas we have got a much broader context in and there is very much more difference between the institutions. In South Korea, for example, there are such major differences in terms of culture and context that I do not think the lessons there can be drawn across. Parental commitment is very strong there and so on. John would like to add to that.

*Mr Landeryou:* Something else that is interesting across the piece, and it is true both of this country and other EU countries, is differences in performance between genders where boys will tend to perform worse than girls at more or less all stages of the education system until they get to the very top in some cases. It is also the case that in terms of improving literacy and numeracy rates, and improving staying-on rates through the system as

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well, there are Europe-wide issues in terms of rates of improvement. We are not particularly alone in this. It is quite difficult to identify European countries that are directly comparable that we could learn much from in this area for a lot of the reasons that David has just pointed out, although there is a lot of research particularly around the Lisbon Objectives and similar sorts of things.

**Q246 Lord Sheldon:** You mentioned personalised learning, could you expand on that?

*Mr Hinchliffe:* It is the opportunity that youngsters have to actually have a curriculum which meets their individual needs and to have teaching styles which meet their individual needs so the curriculum can be tailored very much more to what individual youngsters require and need. We had a report recently that was led by the current Chief Inspector, Christine Gilbert, which has set out an agenda for personalised learning. There is currently work going on in the further education sector dealing with that side of things looking at how we might tailor the work that goes on and the learning styles for the individual learner in an institution.

**Q247 Lord Sheldon:** That is quite a task, is it not, picking up each individual and trying to tailor-make an agenda for that person?

*Mr Hinchliffe:* It is, but the best teachers can do that, and have done that, and make sure that the work has been set at the appropriate level and been matched to the individual youngster's needs. Yes, it is quite a challenge and it is a challenge that we are trying to tackle currently. It is part and parcel of the move in English education away from the set curriculum and to start to think about what each individual needs and what groups of individuals need, to help them achieve at their own pace and at their own level.

**Q248 Lord Layard:** I wonder if I could ask this in two parts. How many young people do you think are leaving school with less than the basic equipment to embark on their apprenticeships? It is not quite the same as having no GCSEs. Can you make a judgment on how big a group you think that is? Could you also just say a little more about why you think we have that problem both on the cognitive side and also on the social skills side.

*Mr Landeryou:* I will do the first part and maybe try to give you some numbers. As David said earlier, Leitch says that one in six are unable to read or write at a functional level and that is probably about right in terms of starting apprenticeships given that apprenticeships are working at Level 2 as a minimum. If you put that into numbers, you are probably around 100,000 young people a year on that basis. If you then start to look at the further education and work-based learning system across the

board, you will find that there are currently in the region of 200,000 young people working at Level 1 or below. To add to that 200,000 in the FE system working at Level 1, there is also a proportion who are in jobs without training and a proportion who are not involved in anything at all, known as the NEET group, which you have probably come across elsewhere. Together they account for around 100,000 young people in the 16-19 age group. In total, therefore, we are probably in the region of 300,000 16-19 year olds not really ready to start apprenticeships.

**Q249 Chairman:** What sort of per centage would that be?

*Mr Landeryou:* About 16 per cent of leavers in any given year approximately.

*Mr Hinchliffe:* Shall I take the second part of the question. We have just been carrying out a fairly large inspection survey of Key Stage 4 and what is happening with the curriculum at 16. One of the things coming out of that inspection survey has been young people tend to become disenfranchised and disenchanted with school if they find that what they are being asked to do is of no interest to them and is not relevant to them. That is due to the very nature of the curriculum which is prescribed and which they find uninteresting and the way that is taught. It is also to do with the fact that that leads to poor behaviour which in turn leads to them attending poorly and so on. It is a downward spiral. They do not enjoy or get what they need from the curriculum, and as a result of that it tends to lead to absence and so on, and that in itself leads to under-achievement and is a downward spiral for those youngsters. The most recent report we have been doing on 14-19 and the curriculum that is now being designed there seems to suggest that the move to a more relevant vocational type of curriculum is making a difference. We have been doing a longitudinal study which looked at schools two years ago and at the same schools now, and that is showing in those schools youngsters are beginning to re-engage because they are seeing that the curriculum has got some relevance to the world of work and gives them some meaning and so on. There are some very positive points there.

**Q250 Lord Macdonald of Tradeston:** Could I just ask about the distinction we have heard made between basic skills and key skills and the fact that there are probably a whole number of reasonably fashionable occupations where you would not have to read very well or write very well to be a good cook, a hairdresser or a landscape gardener. How do you differentiate between key skills and basic skills, if at all?

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*Mr Landeryou:* The usual differentiation that is used is that key skills is more about the ability to apply the skill in a particular context, so a chef or a hairdresser does need reasonable levels of literacy and reasonable levels of numeracy, but it is of a particular and functional nature.

**Q251 Lord Macdonald of Tradeston:** A well-motivated kid who perhaps is rather weak in numeracy and literacy could still be put on a good career path.

*Mr Landeryou:* It is possible but increasingly there are higher minimum levels required in many occupations than was the case before.

**Q252 Lord Macdonald of Tradeston:** Are you not in danger of stigmatising those kids who would have the opportunity to go in that direction by constantly measuring them and deeming them failures?

*Mr Landeryou:* I hope not. In a lot of cases certain apprenticeships do not require five good GCSEs as an entry requirement. Quite often employers and learning providers will take account of enthusiasm, motivation and commitment when they are recruiting but what they are looking for is the potential to be able to reach those levels in that applied functional environment otherwise they simply will not be able to operate effectively.

**Q253 Lord Layard:** I wanted some idea of the number of youngsters, say within a cohort, who are affected by this new opportunity for doing vocational work from 14 onwards.

*Mr Landeryou:* We believe that about 50 per cent of schools have got some provision of this sort available at Key Stage 4, although you need to start thinking about what you mean by work-related learning or work-based provision. All schools provide work experience at some point during years 10 and 11, so that is one part of it. More recently, vocational courses of one sort or another have become more available in secondary schools, although still probably not as many as we would like to see. According to the research that David was quoting from earlier on, in around 15 per cent of cases in our sample—I do not know how generalisable that is plainly—schools were reluctant to introduce these types of courses. One of the main reasons they were quoting for not doing so was fear that they would reduce the number of young people who could meet the five A\*-C GCSE benchmark. There is a vicious circle in there somewhere.

**Q254 Lord Sheldon:** How many children?

*Mr Hinchliffe:* About 200,000 currently are on vocational related courses in schools.

**Q255 Lord Vallance of Tummel:** Can you describe the Young Apprenticeship scheme for us and perhaps tell us how the early pilots are doing, whether they are reaching their aims and the problems that are being thrown up.

*Mr Landeryou:* It is important to bear in mind that Young Apprenticeships is a relatively small scale initiative that has been running since 2004, if I remember rightly. Our evaluations of Young Apprenticeships so far are fairly positive certainly in terms of the ability of that type of curriculum to engage young people in terms of attendance and motivation towards the other parts of the curriculum too. One of the interesting things about Young Apprenticeships, and this is part of the English disease in a way, is that we tend to perceive vocational courses as for other people, and for lower attaining young people particularly, which is absolutely the essence of our problem in all of this. Young Apprenticeships are quite interesting because they have targeted more able young people in a lot of cases and have been relatively successful in doing so. Yes, they have enhanced motivation but in the longer term one of their real potentials is to start to increase the kudos, if you like, of vocational provision. Amid a generally positive picture, one slight reservation is that in too many cases the requirements in terms of work experience, direct involvement in the workplace through Young Apprenticeships, have not been available to the extent that they should have been. Notwithstanding that, we believe that Young Apprenticeships have made a very encouraging start and hopefully there is some capacity to expand them because they are not available yet in all sectors or in all parts of the country.

**Q256 Lord Vallance of Tummel:** How do you think you are going to get over this English disease as you have termed it?

*Mr Landeryou:* We have been trying for a long time, have we not? We hope that the introduction of the specialist diplomas will help us with that. I am sure you may want to ask us about this later, but there are also issues around careers education and guidance and issues related to parental perceptions of different types of work to consider. We absolutely must tackle this if we are to meet the types of targets that Leitch is probably rightly demanding of us.

**Q257 Chairman:** We get over the English disease by having Lord Macdonald on our Committee!

*Mr Landeryou:* I should have said the British disease, my apologies.

**Q258 Lord Macdonald of Tradeston:** What is in the evidence that you might point to on the best way of motivating young people in school, the 14–16 year olds, to engage with the school and prepare

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themselves for work? How does the prospect of the full apprenticeship post-16 help to motivate those who engage in the Young Apprenticeship scheme? Is there any evidence there yet?

*Mr Hinchliffe:* Yes. The evidence is that the new vocational work, including the apprenticeship scheme, is making a difference. All the evidence from our inspections, and we conducted an inspection that reported in November, suggests that youngsters were getting a great deal out of these. They were leading to youngsters coming back into school who were disaffected and staying in the institution where they might have left before, and they were raising standards because the students felt interested in the work and wanted to be there. There is no doubt at all that getting students involved in something that actually has some relevance, does make a difference. One of the issues that came out of that inspection was what John was alluding to. There was quite good careers advice to those youngsters when they came to 14 because they were staying within the school. It led them through school and gave them the right career paths in terms of whether they were going into a vocational or academic route or whatever from 14–16, but we did find in a number of institutions they were not getting very good advice post-16 because in many cases they were going to have to leave the institution and go somewhere else to do some of the work. Competition does take place in some institutions. The other thing that is worth mentioning is that there are still a lot of youngsters who really do need and require Level 1 and Level 2 courses, but the courses are not there; the demand is higher than the courses that are available in FE and in schools.

**Q259 Chairman:** You touched on this, but how adequate do you think the careers advice and guidance is that is available in schools? Is it a good service?

*Mr Hinchliffe:* Yes, I think broadly it is a reasonably good service in places. The issue is one of progression so that youngsters can see how they move from one stage of education to the next, and there are some gaps I have to say.

**Q260 Chairman:** When schools are inspected, is the careers service part of that inspection?

*Mr Hinchliffe:* We tend to look at guidance and support when schools are inspected and that looks at whether there has been appropriate guidance which takes them through the process. We look at that both in Key Stage 4 and post-16, but we also carry out separate surveys of Connexions services.

**Q261 Chairman:** Have any of those been published? If we wanted some details on what you found would you be able to give them to us?

*Mr Hinchliffe:* Yes. I cannot tell you now.

**Q262 Chairman:** I am not expecting you to.

*Mr Hinchliffe:* I do not know whether John knows.

**Q263 Chairman:** I am not expecting you necessarily to be able to tell us but I would be interested if there were some reports as to what you have discovered.

*Mr Hinchliffe:* Yes, we can point you towards those.

**Q264 Lord Sheldon:** What proportion of schools currently offers 14-16 year olds work-based learning opportunities? Have the outcomes been noted? Have you seen the outcomes of this and can you comment on that?

*Mr Landeryou:* There is a requirement now for all schools to provide work-based learning and that comes in a variety of forms, as I said before, ranging from work experience schemes in a more traditional sense through to young people doing really quite specialist qualifications at Key Stage 4, in accountancy, for example, as a very specific option. There is also a whole range of things in-between, things like enterprise education, running their own companies of one sort or another, through to using case studies of a particular business to help them learn the geography relating to relocation for example. All secondary schools are involved in almost all of those areas in one way, shape or form. Probably the greatest difference in impact that we have found over the last two or three years has been the expansion of more distinctive vocational options at Key Stage 4 through the Increasing Flexibilities programme. That is the thing that has made the most difference. The more general approach to a work-related curriculum of one type or another has been a feature of our schools for about the last 15–20 years now in a fairly evolutionary sort of way. I think this curriculum change more recently is the biggest step change.

*Mr Hinchliffe:* I can give you some figures. Certainly we believe that about half of all schools currently offer vocational courses of one sort or another. All schools offer work-based learning in terms of work experience but about half are offering vocational courses specifically. Nearly 200,000 young people undertake a GSCE in a vocational subject in one form or another, which is a large proportion of the cohort. There has been a very large growth in Level 1 courses—we estimate about a quarter of a million youngsters are engaged in Level 1 courses in schools. It is a growing area and one that is having a marked impact.

**Q265 Lord Sheldon:** Is there some considerable enthusiasm on the part of the pupils?

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*Mr Hinchliffe:* Considerable, we are finding. Clearly, there are still improvements needed in the teaching because many teachers have to find their way and if they do not come from a vocational background their teaching needs to improve in some instances. The evidence we have got from visiting schools and inspections suggests that youngsters are very much more enthused by doing work that has got relevance to their future lives than simply following an academic diet. The impact is certainly coming through from the evidence of inspection.

**Q266 Lord Layard:** What are the obstacles to extending programmes like those offered under the Increased Flexibilities programme to more of the 14–16 year olds who would like to do it?

*Mr Hinchliffe:* There are a number of obstacles. Having said that, things are improving, and I think it is important to keep that at the forefront of our minds, one of the obstacles certainly is the capacity of our colleges of FE, for example, to deal with the 14–16 cohort that now need to go into them. There is also that feeling in some colleges that 14–16 will change the nature of the college which is to do with that older group. We are looking very hard at present at 14–19 and the ability of partnerships to collaborate; that is local authorities, the local Skills Councils, the colleges and the schools. They need to collaborate to make sure that in a locality the very best groups are available and the best courses are available for youngsters. It is certainly happening and there is better collaboration than there was, but there is an environment of competition out there for the best youngsters we alluded to earlier. The business of letting students offsite if, for example, they are going to move from where they are situated in school but are going to take courses elsewhere is also problematic, particularly if they are working in a rural environment where they are having to travel from one place to another. Parents and students are reluctant to do that sort of thing. They tend to want to stay where they know the institution and know the people who are teaching them and, again, that is something that is holding things back. Teaching is another issue, getting the right skill sets for people working in the vocational area where many of our teachers come from an academic background and they need to be trained and improved. That is improving too but it is still an area where there is a need for work. Timetabling those teachers so they can move across the different areas is something that is problematic and resources for vocational work and making sure that we get employers engaged in the vocational curriculum too. They do talk a lot about having the right skill sets to carry out the jobs that are needed in employment but they also need to put their money where their mouth is and get engaged in working in partnership with schools to help schools

provide the vocational route that is needed. Access to work experience so that it is not simply making the tea, they get a proper sense of what it is like when they are out there and they get a proper experience which they can take them with them. Most students tell us that is very, very worthwhile. Where it does not work is where they are not given a diet which is a proper diet, they are just asked to do a mundane job that does not give them a feel for what real work experience might be like, although some might say making the tea is real work experience!

**Q267 Lord Layard:** You have not mentioned funding. Is funding a problem here?

*Mr Hinchliffe:* I am not sure that it is. Funding is going into these areas and we find that resources are working. It is the partnerships coming together and using that funding in a proper, appropriate sense. Funding can always be seen as a problem and it is always thrown up as a problem but from our point of view it is making the best possible use of what is available first before we move on.

**Q268 Lord Layard:** I am not sure I have a clear picture of how much of this is really happening. To take a vocational GCSE is one thing. That can probably be taught in the school. But Increased Flexibilities mean that there is some derogation from the National Curriculum and you are going out getting your hands dirty. What numbers of people are we talking about there?

*Mr Landeryou:* It is very difficult to estimate. To take the Young Apprenticeship programme as a whole, that is probably only around 5,000 at the moment.

**Q269 Lord Layard:** On the Young Apprenticeship programme?

*Mr Landeryou:* Yes. Then you have a spectrum through to vocational GCSEs and so on. We are probably in the region of around 100,000 who are doing something genuinely vocational.

*Mr Hinchliffe:* It is a very important question that you have raised. There is an awful lot of good talk going on about partnership and so on and so forth, and that is what we are looking at currently because that is where the developments are taking place. The key for us is, and this is something Ofsted will be looking at over the next year or two, is this having an impact and once partnership talking has taken place what is happening to those youngsters and are partnerships implementing what they are saying currently? That is going to be the crucial test for the next year for the diplomas and making sure that works.

**Q270 Lord Vallance of Tummel:** This is a very specific question and that is, are there specific teacher training courses for vocational teachers, including

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how they should handle relationships in the workplace?

*Mr Hinchliffe:* Yes.

*Mr Landeryou:* There are, however, most school teachers have not been trained in that way. Most school teachers have either gone through a traditional degree programme followed by a post-graduate certificate in education or through a specialist teaching degree route. There is a type of parallel track for people who teach in vocational areas. For example, in further education colleges you will find a smaller proportion of people who have followed that more traditional route that school teachers have followed, and more that have come direct from an industry of some sort. They will either have trained on the job, or have taken a short time out to train, but the mechanism is very different and their vocational skill set is a pre-existing one that has come through an industrial route by and large rather than an academic route.

*Mr Hinchliffe:* There is in-service training which is taking place. That is improving things and taking place on the job as people are trying to set these qualifications up. We have been doing this longitudinal study in 20 local authorities, looking at vocational education over the last two or three years, and it is fairly clear that there has been an improvement. When we went two years ago, the quality of the teaching was not as good in the vocational sector as it is now. So the training is having some impact but it is still lagging behind the needs that we have within the institutions.

**Q271 Lord Vallance of Tummel:** Could I go to the Institute of Education and take a degree in vocational training?

*Mr Landeryou:* There are a mass of degrees and your adviser is probably better placed than me to talk about this, I suspect. You can do some specific

courses with a more vocational route to them but it does not quite work in the way you are suggesting.

**Q272 Chairman:** You are giving us the impression that there is an improvement happening and it is getting better, but you are also giving us the impression that there is still quite a long way to go.

*Mr Hinchliffe:* I think that would be very fair.

**Q273 Lord Macdonald of Tradeston:** Can I ask something related to Lord Vallance's question. Is there an imbalance between the number of academic young women coming into teaching and the lack of men, which could be redressed by bringing, as it were, vocational men into the teaching of that age group?

*Mr Hinchliffe:* One of the interesting things that we are finding at present is there is gender stereotyping going on in the vocational courses that youngsters are taking and I think we want to try to see that breaking down.

**Q274 Lord Macdonald of Tradeston:** That includes teaching?

*Mr Hinchliffe:* I would not like to say because I do not have sufficient evidence. All we can say is that those courses that traditionally have got a male or a female bias are still attracting into those vocational courses youngsters that have got that gender bias. We would like to see some of that bias broken down by encouraging teachers from both genders to work in these areas as the gender bias appears in teaching. I do not have the evidence to answer your question in terms of teaching. I can answer in terms of pupils taking courses but not necessarily teachers.

**Chairman:** That has been a very interesting discussion. We are all very grateful to you for coming along and talking so frankly to us about some of these issues, which is very helpful to us in our inquiry. Thank you very much indeed.

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TUESDAY 6 MARCH 2007

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Present	Wakeham, L (Chairman) Lamont of Lerwick, L Lawson of Blaby, L Layard, L	Macdonald of Tradeston, L Paul, L Sheldon, L Turner of Ecchinswell, L
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**Examination of Witnesses**

Witnesses: Ms MELANIE HUNT, National Director of Learning, and Ms MARGARET COLEMAN, Regional Director (Yorkshire and the Humber), Learning and Skills Council, examined.

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**Q275 Chairman:** Welcome to our inquiry. I am sure you know what we are about, and we have a number of questions. Would you like to say something to open up or do you want to go straight into questions?

**Ms Hunt:** If I may, I would just like to say a few words of introduction. My name is Melanie Hunt. I am the National Director of the Learning and Skills Council and my colleague Margaret Coleman is the Regional Director for Yorkshire and the Humber. We thought it would be helpful for you to be able to have responses from a national perspective and also a regional and local perspective in terms of the LSC's work because, as you know, our remit is to plan, and fund, post-16 learning, and we do that nationally, regionally and locally. I think, as a government agency, we are unique in having that reach through from national to local. We see ourselves as a crucial and certainly very committed partner in the delivery of the 14–19 reform agenda which is focused on improving participation of young people and supporting their improved attainment as well. Obviously we work towards government targets in increasing the numbers of young people in education and training and improving the numbers of young people who hold a Level 2 qualification as a minimum by the age of 19. Our public funding supports over 1.3 million young people each year to participate and further their learning skills. That breaks down as approximately 750,000 young people in further education colleges and sixth-form colleges, about 370,000 young people in school sixth forms and another 270,000 young people in work-based learning, so, whilst the traditional view is that young people stay on at school sixth forms, actually a significant number of them are in further education and in work-based learning. Those young people are all following a very wide range of qualifications and programmes ranging through from A Levels and GCSEs, apprenticeships and vocational programmes to personal development and work preparation programmes as well. Of all those young people, there is a split in terms of the level of the study as well that they are undertaking. About 70 per cent of them at the moment are studying at Level 3 or Advanced Level, the equivalent to A Level, about 20 per cent at Level 2, at the intermediate level, and at the moment

about 10 per cent below that level at what we call the "Foundation Level". In terms of the LSC's work since 2001, we have focused particularly, as I have said, on increasing participation of young people and at the moment there are more young people in learning post-16 or 16 to 18 than there have ever been. But we know there is still some distance to travel because young people are tending to stay on at 16. They drop off a little at 17 and by the age of 18 some of them have ceased to engage in learning. So we have an issue, and we are particularly focusing on keeping young people in learning through until 17. We have also improved the qualification base of young people at the age of 19 and we have just recently published the figures for 2006. They show that 71.4 per cent of young people now hold a Level 2, which is an improvement of five per cent just in the last two years, and for those who hold a Level 3, it is about 46.8 per cent, which again is an improvement of almost five per cent in the last two years, and we believe that is attributable to quite a large number of factors. I will not go through them now, unless you feel it would be helpful, but we hope that those factors will come out in the discussion.

**Q276 Chairman:** Thank you very much. I wonder if I can start by asking you if you could outline the measures that the Learning and Skills Council have in place to identify employers new to apprenticeships and to encourage them to offer apprentice places. How successful have these measures been and is there any more that needs to be done?

**Ms Coleman:** I am pleased to say that we have more young people in apprenticeships than we have ever had before, and this has been partly as a result of a campaign which we have had about apprenticeships. We have all sorts of mechanisms for reaching out to employers because it is really vital that we engage employers so that they can provide an employed status to an apprentice. One of the ways in which we are doing it at the moment is through our Train to Gain Programme. Our Train to Gain Programme is an advisory programme to all businesses, particularly hard-to-reach businesses, where we advise on skill needs for a particular business and we fund publicly the first Level 2 and Skills for Life provision as part

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of that. In order to reach out to those employers and to those businesses, we have a brokerage service, and the brokerage service works in a number of ways; it can be through telemarketing, it can be by cold-calling on employers and it can be by going through employer organisations. Through that programme, employers are being advised not only about the importance of skills for their existing adult employees, but also the importance of, and the opportunities in terms of, engaging apprenticeships, so in that way we are able to reach out to more employers. Of course, in the summer we will have our big skills campaign, so we are hoping that, by developing a more public understanding of the importance of skills and increasing skills as an asset, we will be able to bring more employers on board. So there are a number of things that we are doing to try and reach out.

**Q277 Lord Laylard:** Do you know which employer each apprenticeship that you have found is with and how many of them have come on to the apprenticeship directly through the employer rather than through the training provider?

*Ms Coleman:* It is a mixture. We know, when an apprenticeship is employed, who the employer is, and the provider who does the off-the-job training would work closely with the employer to make sure that those two parts of an apprentice's training were brought together, and those apprentices are monitored on a monthly basis to make sure that they are still attending and that they are still on target to succeed. Sometimes employers take on young people almost for two or three months. If you can imagine young people leaving school at the end of the summer, an employer might take on a young person then and then decide to put them on a formal training programme by the autumn, such as an apprenticeship, so they have had a couple of months to have a sense of the young person's potential. There are other ways in which young people present themselves. One of the interesting organisations, I think, we have in this country is the Group Training Association and generally they are in the engineering sector. Employers, working closely with the Group Training Association, would identify the number of potential places they had for apprentices and the Group Training Association would then recruit apprentices on behalf of those employers. We also have an apprenticeship scheme which is called a "programme-led apprenticeship" where young people can be recruited by a learning provider and they can begin their training, the more theoretical part and the key skills part of their training, and then, as they begin that training, the provider attempts to find them an employer who would take them on and give them the final bit of the on-the-job training and

accreditation so that that was complete. So it happens in both ways really.

**Q278 Lord Lawson of Blaby:** You will be aware of the very interesting analysis of apprenticeships and other vocational qualifications done at the behest of the Department, the DfES, conducted by Mr Stephen McIntosh of the Department of Economics at the University of Sheffield, and the most interesting finding, the most important one perhaps, of this analysis was, "The wage returns to apprenticeships, particularly Modern Apprenticeships, are considerably higher", and I emphasise the word "considerably", "than for other vocational qualifications, such as NVQs, BTECs and City and Guilds". First of all, does this very thorough analysis tally with your own experience and, secondly, if it does and on the assumption that resources in this area, as in other areas, are limited, what conclusions do you draw of the desirability of transferring government support from the NVQs and BTECs to doing more for Modern Apprenticeships where Mr McIntosh finds that the wage returns are considerably higher?

*Ms Hunt:* It is a really interesting point and I think there is something about the fact that we need to recognise that young people will learn and learn effectively in very different ways. Some young people, pre-18 we are talking about, will learn very effectively in the workplace with an employer in quite an adult environment, and other young people may require a slightly more closed or structured environment within which to learn and succeed in order to build a platform of experience, confidence and also of skills. I think it would be difficult for us to say that there should just be a focus on one type of pathway because we do know that young people benefit, and in fact they have benefited, and we have got improved participation and improved attainment because there is a choice and a range of different modes and styles of learning and development. However, your question about NVQs, GNVQs and BTEC qualifications for young people is something which the Government is addressing by the development of specialised diplomas which are designed to be a new and different type of qualification. That has very clear progression pathways through for young people and it has the endorsement and the full support of, and in fact has been developed by, employers and Sector Skills Councils so that they offer a real alternative to a work-based route. But they are still fitting young people for work and helping them to develop the skills that employers say they need.

**Q279 Lord Lawson of Blaby:** I was not asking for the Government's policy, but for your views based on your own experience. Secondly, as the French say,

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you have to choose. So are you saying that everything now is absolutely right, that we live in the best of all possible worlds, or do you think that, in the light of this evidence and given, as I say, that the amount of support is limited, as with everything, there is a case for the transfer of support from the NVQs and BTECs, which appear to give a lower return to the youngsters than the Modern Apprenticeships, which appear to give a better return?

*Ms Coleman:* I do think that the wage returns on qualifications is a very interesting field and we are aware that the higher the level of qualification, the greater the return in terms of a young person's and adult's earning capacity. One of the mechanisms that is informing our purchasing of training for young people and adults at the moment is the Sector Skills Agreement where the Sector Skills Councils, working with employers in their particular sectors, consider what qualification routes will add to the competitiveness of that particular sector and, in some instances, there would be apprenticeship frameworks, but there would be other qualifications as well. One of the things that we have done in Yorkshire and the Humber, because we are about to launch the Yorkshire and the Humber branch of the National Skills Academy in the financial services sector, is to look at the amount of money that we are investing in the curriculum which relates to the financial services sector and then to look at the kinds of qualifications and routes that the Sector Skills Council has specified to see whether there is a good match between the two. What we have discovered, though it is not an exact science and we are going to have to look at it in some more detail, is that there is about a £4-5 million gap between those qualification routes that the financial services sector employers have specified as being central to that industry and the ones that are currently being provided by further education colleges in this instance. That is the major mechanism that we use in terms of purchasing the kind of curriculum that is important to the competitiveness of a particular sector.

**Q280 Lord Lamont of Lerwick:** If I could follow up on Lord Lawson's question, you said at the beginning that there are 750,000 people in FE, 375,000 in sixth forms and 270,000 in work-based learning. Do you think that that is the right balance, those three figures?

*Ms Hunt:* At the moment, those figures are driven very much by the choices that young people make. We do not seek to constrain that choice or to influence it. What we are trying to do is to respond to the learners' needs and their particular aspirations.

**Q281 Lord Lamont of Lerwick:** But, in the light of what Lord Lawson said, is the evidence not that people are choosing low returns?

*Ms Hunt:* They may well be and I am afraid I could not argue with the evidence at all, but there is something about young people being able to progress as well and progress to higher education which in itself, as Margaret says, will give them even greater returns than remaining at a Level 2 or at a Level 3. What we are focused on is ensuring that young people, or in fact everybody, progresses to their maximum potential which will maximise their personal earning power.

**Q282 Lord Turner of Ecchinswell:** I would like to stick to a related subject to the previous two questions because I think it is very useful to get your top-down impression from your experience of, as it were, where we should be more concerned about this issue. At one level, one can set out these large numbers of people in further education colleges, school sixth forms, et cetera, and work-based training, but there are two questions which then arise. First of all, have they ended up in good-quality training in each of those and, secondly, what about the people who are not in that list and how big is that? Could you give a general comment about where, as you stand across those different types of training that they will be involved in, you think there are the biggest issues about whether the quality of training really is there or the appropriateness or the returns in terms of a wage return, where might we have that concern? Can you also comment upon who is not covered by those figures, what they are doing and how your organisation attempts to reach them.

*Ms Hunt:* There are two parts really. Firstly, to answer the quality question, the LSC is increasingly saying that we will not purchase, with public funding, provision that is of poor quality, and we are doing that this year by introducing "minimum levels of performance" which we will apply to all types of further education and work-based learning. If a college or a training provider delivers below those levels, we will cease to contract with them and put a tender out for new, replacement, or different and better provision. Having said that, that sounds rather draconian, but also what we have been doing is working with our partners in the Quality Improvement Agency and with Ofsted to bring about much greater awareness of what good quality looks like for this group and in different settings. Colleges and providers are much better skilled now in self-assessment and self-diagnosis of areas of weakness, so they are taking action, with our support, to address that. Therefore, whilst we cannot be complacent about quality, we have got hard evidence that success rates in apprenticeships have improved significantly, and they are at about 54 per cent now. When we inherited apprenticeships as the Learning and Skills Council, they were around the upper 20s and in some individual providers they were far worse,

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so there has been a significant shift because of a very pragmatic and focused purchasing policy. Likewise in further education also, success rates have improved, by not such a significant amount, but they have improved and I think they now stand at almost 70 per cent in further education. On the second part about where the concerns and the worries are, for me, my main concern is for those young people in that cohort who are not participating in any form of learning and training or development, and that amounts currently to about 220,000 young people. That said, of those young people, there is only one per cent, so just over 2,000, who are permanently not engaged throughout their years of 16, 17 and 18. What we see for the other 218,000 is a perpetual, if you like, “churn” and movement in and out of different types of learning, different types of job, casual employment, occasionally black-market employment, and that is the group that, for me personally, I am most concerned about, that we try and find imaginative solutions to offer provision that is going to be attractive and will sustain the interest and commitment of those young people. Having said that, we also know that they experience a wide range of other social problems. Many of them have difficulties with housing, with drugs, with their health, they are young parents, a whole range of different issues that the LSC is not equipped to address and indeed not remitted to address, although we work very closely with agencies who do. I could talk for hours about this, but I will stop.

**Q283 Lord Macdonald of Tradeston:** Going back to the list of questions here in search of some more statistics from you, how does the LSC estimate demand from young people for an apprenticeship place and in any one year how many young people who hope to enter an apprenticeship fail to find a place? Is this a significant problem and what action should be taken to address it?

*Ms Coleman:* I have to say, it is not an exact science and it is quite difficult to balance supply and demand. One of the issues that I think is of concern is the standard and the impartiality of information, advice and guidance for young people so that they are aware of all the options that are open to them and that they can actually exercise a preference, because I suspect that not all young people are aware of the kind of progression route that an apprenticeship could offer them. What we tend to do is we work with partners within the region, for instance, so we work with the Regional Development Agency, we work with employers, we have information from our existing providers of apprenticeships and other kinds of work-related provision for young people and, on the basis of that, we develop our purchasing plan. In Yorkshire and the Humber, in this current year we are spending £54 million on 16–18 apprenticeships

both at Level 2 and Level 3 and, interestingly, of the 15,500 apprenticeship programmes that we purchased, 11,000 of those are at Level 2 and only 4,000 are at Level 3. My sense is that young people generally with higher levels of attainment at GCSE do not consider apprenticeships particularly as a programme that would be good for them, and that most of our work-based learning providers tend to take on young people who have not attained a Level 2 at the end of their statutory schooling and, in a sense, grow their own apprenticeship progression route. As I say, it is not an exact science and perhaps, if we had better information, advice and guidance and more possibility for young people to express a preference, we would be able to capture that more exactly.

**Q284 Chairman:** That is very interesting, but Lord Macdonald’s question was asking how many fail to get a place, and that was the answer that I was hoping to hear. How many failed to get a place? Do you have any idea?

*Ms Coleman:* My sense is that it is not an enormous issue in Yorkshire and the Humber. Anecdotally, one hears from time to time of one or two people who have not managed to get a placement.

**Q285 Lord Lamont of Lerwick:** I would really like to ask when Humberside changed to “the Humber”, but, leaving that aside, is there any reason why young people should not apply direct to an employer for an apprenticeship rather than going through a training provider?

*Ms Coleman:* None at all.

*Ms Hunt:* And they do. Young people can reach an apprenticeship through a number of different routes and it can either be via the training provider or the employer, and we encourage both of those routes because they are both successful in different ways.

**Q286 Lord Paul:** Recent research showed that nearly half of all apprentices were already in employment and were offered apprenticeship places with their current employer. Is this the practice in accordance with the policy of the Learning and Skills Council, or to what extent does it mean that there is a problem with deadweight, and what, if any, corrective action is needed?

*Ms Coleman:* I do not believe that it is deadweight because we would encourage employers who had taken on young people into their employment to offer them continued training and we believe that, for young people, an apprenticeship route is probably the best route and, as I said earlier, sometimes employers will take on young employees and then decide after a matter of weeks or months that they will put them on a whole framework programme.

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*Ms Hunt:* I think it is important to add that apprenticeships are assessed on the basis of competence. So, if an existing employee is being assessed for an apprenticeship and taken through that, they will not require so much, if you like, training input as maybe a brand-new employee and a brand-new apprentice and, therefore, we are not spending money unnecessarily on off-the-job training. It is essentially recognising where that person is in their learning and accrediting that as efficiently and effectively as possible.

**Q287 Lord Laylard:** I wanted to ask how the current arrangements would be affected by the acceptance of the Leitch Report. At the moment, the money, as I understand it, is going through you and you are contracting a certain number of Modern Apprenticeship places. How would that change if the main funding route is the Train to Gain and the learner accounts? Would you be administering that and, insofar as that is decentralising it further, who is responsible for achieving the target, for example, the 500,000 apprenticeships target? Who has it in their power to battle with such a target?

*Ms Hunt:* In fact the LSC fully supports the aspirations in Leitch, but I think what we are very concerned about is the reality of delivering them, and that will depend very much on the outcomes of the Comprehensive Spending Review. However, we have been remitted by the Minister, Bill Rammell, to work up an action plan with the Sector Skills Development Agency to increase the number of apprentices to 400,000, which is England's contribution to the 500,000 in the Leitch Report. So, through that remit, we are assuming that we have a role to play at this stage clearly in the development and planning of that work. I think the biggest challenge is going to be encouraging employers to take an active part in this. We currently have 130,000 employers involved in offering apprenticeships and that is for 250,000 apprentices, so we will need to increase the numbers of employers quite significantly to get up to the target of 400,000 apprenticeship places. One thing that it is important to recognise is the difference between, if you like, capturing one large employer who may offer 100 apprenticeship placements and involving one small enterprise where there may just be one apprenticeship place. The effort and the energy expended may be very similar, but actually the gains in terms of meeting the target will obviously be very different. However, our Train to Gain service is very much focused on the small, medium and hard-to-reach enterprises where we believe there are massive opportunities to help those enterprises to develop, but also to help young people and adults develop.

**Q288 Lord Laylard:** How can the LSC encourage framework completion? What is needed to be able to do that?

*Ms Coleman:* I think, as Melanie said earlier, that framework completion has increased in any case and part of our focus has been on the importance of completing an apprenticeship and actually getting a qualification out of it. Our target at the moment is about the completion of apprenticeships and the funding that we offer pays 25 per cent on successful completion and that is quite a bit of an inducement for the learning providers with whom we contract. We also mentioned earlier the minimum level of performance and we expect that a learning provider would achieve at least 40 per cent completion of the framework in order for us to consider them at least satisfactory to wish to contract with them in the future. I think that there are funding levers which have rather changed the pattern of focus around apprenticeships, but I do think that there are other issues, and the other issues are about employers fully understanding the nature of the framework and being supportive of the employee who is trying to complete that framework and not, for instance, deciding that, once a young person has a certain level of competence, that is good enough for the job, it does not matter whether they finish the framework or not, so I do think that we have work to do in terms of employers' insistence on young people completing what they started out.

**Q289 Lord Laylard:** What is the further action needed here?

*Ms Coleman:* I think that generally we need to do more of a promotional and educational job with employers. We are expecting a lot of employers, not only in terms of apprenticeships, but also in terms of the specialised diplomas which will be being introduced as part of our vocational learning offer, and I suppose one of my concerns is that we are asking employers to think increasingly about their roles in skills, which certainly Melanie and I would think was a good use of their time and thinking in terms of business competitiveness. But I think that we have a way to go in having sort of general acceptance that there is such a strong role for employers to play.

**Q290 Chairman:** Some concern has been expressed that the Sector Skills Councils are now authorised to drop the Technical Certificate which was previously a mandatory part of the framework. I wonder if you can tell me why this decision was taken and by whom and what do you think the effect is likely to be?

*Ms Hunt:* Well, the decision was taken by the LSC, but in conjunction with the DfES and Sector Skills Councils. The reason is that Sector Skills Councils and employers gave the advice that some of the Technical Certificates were not fit for purpose for

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their particular industries. What we are insisting on is that there is some underpinning and technical knowledge of an apprenticeship, but that it need not be the Technical Certificate if the employers say there is a suitable alternative qualification, and we just make sure, through the Qualifications and Curriculum Authority, that it is a recognised, valid and acceptable qualification.

**Q291 Lord Lawson of Blaby:** As a follow-up question to what you have been saying so far, in answers to questions put by this Committee, you have said at least two things, that a lot depends on the choices made by the youngsters and that the youngsters are not terribly well informed or not as well informed as you would like them to be. Are they informed of the fact that their wage returns from Modern Apprenticeships are considerably higher than they are from other vocational qualifications? Do you think they should be aware of this and do you think this might influence the choices they make if they were aware of it?

*Ms Hunt:* I think you are absolutely right. We recognise that information, advice and guidance for young people is a crucial part of any education system, actually for young people or adults, and, as you will appreciate, that is not the direct responsibility of the LSC. The Connexions Service currently holds responsibility for that advice and guidance for young people and I know that at local level, regional level and national level we work with the Connexions Service to provide their personal advisers with as much information as possible, but we are not able to police, guarantee or ensure that that information is used. Having said that, we have not provided detailed breakdowns of wage returns, although I think that is a helpful suggestion that we can consider briefing Connexion's PAs about, so thank you.

**Q292 Lord Turner of Ecchinswell:** I would like to ask a question which again expands on that, both in relation to the difference between Modern Apprenticeships and other forms of training, but also ask you to comment on the sectoral issues, because another finding of the research to which Lord Lawson has referred is that, whereas you see a large wage return to a Modern Apprenticeship in construction, you do not see a large wage return to an apprenticeship in retailing. As you look across the different sectors where you are funding training, do you have a sense that there are some where there are highly structured training approaches which are definitely of high quality and where people get a clear benefit from it, and others where it is all a little bit less clear what the return from the training is? Or is it the case that what is the appropriate style of training is totally different by different sector, ie, the Modern

Apprenticeship works for the construction industry, but simply is not the appropriate form of training for the retail industry?

*Ms Coleman:* I think that is an interesting and difficult question, if I may say so. I suppose that in some sectors apprenticeships are part of the tradition, so in construction and manufacturing, engineering and so on, and there has been a long history and a good understanding in the sector about apprenticeships and where they lead. Every apprenticeship framework has an agreed content that the Sector Skills Council has agreed, so there is, as it were, a structure that is meant to be fit for purpose in terms of each business sector, and the Sector Skills Councils will prescribe different elements to those apprenticeships, as it sees fit, in relation to the sector. I think that where we have issues where we are only just beginning to work very closely in terms of the Sector Skills Agreements is with, outside the apprenticeships, what qualifications that particular sector believes are crucial to the competitiveness of the sector, and they will not all be apprenticeships. But we are aware that further education colleges and other providers have been in the habit of providing particular kinds of qualifications that the Sector Skills Councils are now saying, through their Sector Skills Agreements, "These are not really the kinds of routes which would enable people to work successfully in our industry". That is why we are working with the Sector Skills Councils to purchase the kinds of qualifications that are specified in the Sector Skills Agreement.

**Q293 Lord Macdonald of Tradeston:** There is evidence that some employers are allowing their apprentices very little or no time off for off-the-job training. Would a statutory underpinning of the contract address that problem or do you think that that would simply deter employers from taking on apprentices in the first place? Are there any measures you can think of which might improve the situation?

*Ms Hunt:* Certainly we think that situation is changing quite a lot, particularly because we are now focused, not on numbers of apprentices, but on the achievement of apprenticeships and, because of that focus on quality and completion, as Margaret said, training providers will not get paid a quarter of their funding unless their trainees achieve. That is quite a big incentive for the training providers to work with employers to make sure that young people do have the right access and appropriate access to off-the-job training. I think also there is a cultural shift as we work with particular employers on this in that they recognise the value of the off-the-job training to the productivity of the employee, so they are more willing to make that possible.

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**Q294 Lord Lamont of Lerwick:** I was going to ask about the careers advice given to people leaving school or leaving higher education and the information about apprenticeships.

*Ms Coleman:* One of the developments recently is the production of area prospectuses, usually online prospectuses for young people in the 14–19 age group, so that young people have access to a whole range of information about potential future learning and skills avenues open to them. Melanie said earlier that the Connexions Service has the major responsibility for using that information directly with young people, alongside of course careers teachers in schools, and I think one of the key issues for us is to ensure that those giving advice and guidance are aware of all of the opportunities, so that the young people and their parents can access information from the area prospectuses. Following Lord Lawson's remarks, if they could also access what the likely wage returns are for particular pathways as well, that would be extremely useful. Of course, the Connexions Service is migrating to local authorities and local authorities will work with us. We have a duty to co-operate on 14 to 19 provision, and I think it is going to be extremely important that we maintain the service to young people during that period of migration from the Connexions Service's national service into a local-authority-based service.

**Q295 Lord Layard:** I wanted to ask you about progression. The rates of progression from apprenticeship to advanced apprenticeship are low and perhaps even lower for the progression from advanced apprenticeship to Foundation Degree.

What policies and plans do you have to improve that progression rate in both of those stages?

*Ms Hunt:* I think one issue is that we do not really know enough about the progression rate because universities are not required to report on how many of their entrants hold an apprenticeship. So it may be that the young person, or an adult in fact, has attained an apprenticeship, but that has not been necessarily recorded or recognised. So, in a way, we are dealing with an unknown at the moment and that is something that we are working with the higher education sector about. I think the important thing is that, as further education is adapting and shifting in terms of recognising more of the work-relatedness of its curriculum and the need for that to be far sharper, we believe the same will happen, and needs to happen, in higher education. Of course, the introduction of the Foundation Degree is beginning to open up a more, if you like, vocational route into higher education, which one could say is more compatible with, or sympathetic with, the approach that an apprenticeship takes. So we are working with the Higher Education Funding Council and with the DfES on a joint progression strategy to encourage better and clearer pathways through from vocational learning of all kinds into higher levels of study and higher levels of skill. But I suspect that is going to require change on the part of higher education as well as change on the part of further education.

*Chairman:* Well, we have covered a great deal of ground in a relatively short time and we are extremely grateful to you for coming and talking to us in the way you have. We have learnt a lot, I think, and it has been very useful, so thank you very much indeed.

### Examination of Witness

Witness: PROFESSOR PAUL RYAN, King's College London, examined.

**Q296 Chairman:** Good afternoon and thank you very much for coming along and helping us with our inquiry. Do you want to say something by way of some opening remarks, because you are very welcome to, if you want to.

*Professor Ryan:* I might just say a couple of things, thank you. Firstly, if I have much to offer the Committee, it is on apprenticeships in the traditional and the continental sense of being preparation for intermediate skills rather than lower-level skills. So I am, in that sense, in the traditional area of study of apprenticeships and obviously I have interest in the broader programme, but my primary area of interest and expertise is on what you call the Advanced Apprenticeship Programme, Level 3, Technical Certificates and NVQs. The other thing I bring to it is that I have led a research team looking into what large organisations in this country do about

apprenticeship training for intermediate skills in the last couple of years, so that is the fresh information I might bring to the Committee.

**Q297 Chairman:** Thank you. I wonder what, in your view, this country can learn from other countries which have successfully introduced apprenticeships or have vitally improved provision in recent years.

*Professor Ryan:* Comparing this country to other countries?

**Q298 Chairman:** Yes, what can we learn from other countries?

*Professor Ryan:* Well, I think the importance of doing it properly is the short answer to that one. We have in some sectors done it properly for a long time and we still do it properly, but in other sectors we have carried over essentially the low ambitions of the

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Youth Training programme, the Youth Training Scheme and youth training, into apprenticeships and we have called some of it “Level 3” and it does not represent a level of occupational preparation that would be recognised as an apprenticeship in other countries, so that is, I suppose, an emphasis on the heterogeneity of what we have got compared to other countries. Apprenticeship is heterogeneous everywhere, but it is much more heterogeneous in this country. I was listening to part of the last testimony and we do allow a lot of low-quality training to come in in the guise of occupational preparation. I was struck by the remark that, when Technical Certificates were up for consideration by some Sector Skills Councils, they were dropped because the employers did not think they were fit for purpose. The alternative would have been to say, “Let’s reconstitute them to make them fit for purpose” rather than, “Let’s drop them altogether”. That, to me, reflects the low standards in some sectors.

**Q299 Chairman:** Do you think that is still going on in some?

*Professor Ryan:* Yes. We studied four sectors, engineering, construction, retailing and information and communications technology, and that was a mixture of traditional and new sectors. I think you could safely say that in the traditional sectors, engineering, electrical contracting and construction and telecommunications in ICT, you had high-quality programmes that would be recognised as apprenticeships in any other country and traditionally here, and they followed the sort of serious occupational preparation and vocational and technical education integral to it. However, in general construction, in a lot of the user end of IT and in retailing, where we found it in use primarily in convenience stores, it was essentially job training. There was off-the-job training, but that does not amount to very much if you are just going to another room to do something practical. The technical education content of some of that training was close to zero. So I think, in that sense, we have missed an opportunity to make sure that training standards are generally high enough—and, and this is a wider point—an opportunity to use the expansion of apprenticeships to lever up educational attainment by making sure it has a serious technical education content everywhere, not just in the traditional sectors.

**Q300 Lord Sheldon:** Have we been much less successful than we should have been in achieving our level of apprenticeships and what have been the strengths and the weaknesses of the system?

*Professor Ryan:* Yes, I think we have been less than successful. I think we missed a great chance, when the Government threw its weight behind apprenticeships

in 1994, not to make sure that we generalised the high standards of the traditional sectors into the new sectors. There was clearly a case to develop apprenticeship outside the traditional areas, but to do so by pulling the other areas up to their standards rather than allowing the new sectors to continue their old practices of job training. One way of looking at that is to compare what has happened in this country with what has happened in the Republic of Ireland, which I have looked at, not very deeply, but with some interest. Around the same time, the Irish also reformed their traditional apprenticeship system, on a standards, rather than a time-serving, basis. They did not push it quickly into a lot of new sectors, they made sure that they got it right, in terms of design and level before expanding it. They have expanded it quite slowly, sector by sector, so it is more circumscribed in its coverage than our system, but they have done a much better job of maintaining standards as they have expanded it into new areas, and I think that is where we have gone wrong.

**Q301 Lord Sheldon:** And now?

*Professor Ryan:* We have essentially stayed in that position in the last five years, I think. There have been some adjustments. I was associated with the work of the Skills Task Force when it discussed the introduction of Technical Certificates to try and raise the technical education content of apprenticeships not just at Level 3, but at Level 2 too, and that seemed to be a very worthwhile thing to do. But I have been very depressed to see how little that has amounted to in practice in the new areas, where Technical Certificates did not exist before. They may exist now, but some of them still do not exist, as they are now no longer mandatory and their requirements have been very, very low.

**Q302 Lord Lawson of Blaby:** Assuming no change in the overall level of public funding, what is the single most important change that you would like to see?

*Professor Ryan:* I think standards would be where I would go. I would like to see a reorganisation to promote a higher minimum level of training standards across sectors and Sector Skills Councils. I would also like to see, and this may be dodging your question, more of the education budget put into apprenticeships, because I think the other problem in this country is that the traditional separation between training and education continues in the Modern Apprenticeship Programme, or the Apprenticeship Programme, as it is now. We stand out in Europe for doing a very poor job of tying apprenticeships to the education system and using it as a way of levering up educational attainments through part-time technical education, say, at the ages of 15 to 18.

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**Q303 Lord Lawson of Blaby:** Following that interesting answer, would you then recommend diverting funds from the NVQs and BTECs, which do not have apparently such a good return, to apprenticeships?

*Professor Ryan:* Well, NVQs are important in apprenticeships.

**Q304 Lord Lawson of Blaby:** Yes, but it is a separate programme.

*Professor Ryan:* Yes, but to be in the Apprenticeship Programme, you have to have an NVQ to receive the LSC's approval and public funding. You have to have an NVQ built into the framework, so I think of the two as going very close together in practice, and I am not sure there would be an awful lot of scope for what you suggest. There is not a lot of "NVQ only" training left nowadays. BTEC, I think, would be a more challenging one. I am not an expert on the BTEC side of things, but I would be reluctant to take something that has established a good reputation in its 25 years of existence and divert funds away from it and possibly weaken it.

**Q305 Lord Lawson of Blaby:** If I can act as devil's advocate, you suggested that, insofar as there should be a transfer, it should be from education to training and, in particular, apprenticeships. Yet a lot of evidence that we have received is that the international comparisons show that this country's biggest defect is in the educational field and specifically in literacy and numeracy, that we have a higher proportion of youngsters leaving school with wholly inadequate standards of literacy and numeracy than is the case in other developed countries, many of which you have studied. Would you agree with this and, if you do, is this not a case for paying more attention to basic education?

*Professor Ryan:* I would not dispute the observations; it is one of the great problems that this country has. But the link to apprenticeships is perhaps still important. One of the incentives to do something about low literacy and numeracy for a 12-year-old is the thought that you might then become eligible for a decent apprenticeship, which will give you a good training and possibly, if it is well designed, give you opportunities to progress up the vocational ladder which we hear a lot about, but which often does not work very well in practice. So I do not regard it as an either/or. I think we miss opportunities to use apprenticeships to provide incentives to improve literacy and numeracy. We have done it through tacking on Key Skills requirements to the apprenticeships and they are widely seen as frustrating by 16 or 17 when, if people have not achieved them, they are not very interested in achieving them. There might be a sense that there will be more incentive in secondary schools to do

something about that, were there a decent supply of good apprenticeships available afterwards.

**Q306 Lord Lawson of Blaby:** I must say my own experience of 12-year olds, thinking of my grandchildren, is that they would not be greatly motivated by the thought of an apprenticeship, but maybe other 12-year olds are different.

*Professor Ryan:* Their parents might contribute.

**Q307 Lord Turner of Ecchinswell:** Could I ask you to comment on why some large employers provide good apprenticeships and others do not, and to do that in particular within the context of the sectoral division that you made earlier. If it is the case that good apprenticeships in retailing would be a good idea, as they are in the bits of the construction industry that you have suggested, why are they not offered by rational, large retailing companies? Within that, could you comment on, are they being irrational, ie they would get a commercial benefit if they had a more structured approach to training, or is it a problem of economic externality that the real benefit of more structured training in the retailing sector, or other sectors where we do not have it, would not directly accrue to the companies providing it but to the individuals who would be more employable in a general sense? If that is the case, what are the implications for policy?

*Professor Ryan:* I think that does contain an answer to the question. It certainly is the case that in retailing, for example, the employers who provide it tend to be the convenience store operators, if we compare them to department store operators who generally avoid the apprenticeship programme. The difference is that the department stores want adult labour, the skills they want are those of people in their twenties to start with, with higher levels of educational attainment, whereas convenience stores are a low paying sector, they have trouble attracting adults to management jobs, and the recruitment of adult managers, which is what they prefer, is difficult, upgrade training of less skilled adults is also difficult. So they have hit upon the idea of taking 16 and 17 year olds and taking them up to Level 3 with a very business-needs oriented programme which involves very little educational content, if any.

**Q308 Lord Turner of Ecchinswell:** So they use it as way of getting employees rather than actually providing real training, or as much real training as you think they need?

*Professor Ryan:* I think that is too strong because you do need skills to run a convenience store and it takes a few years to develop them. They hope that by the age of 21 they will have turned a 16 or 17-year old into a committed person who can do spreadsheets, reports and everything else needed to run a convenience

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store, but it is not high-level skills. That is their business case. I am sure they are shrewd and rational in appraising their own business case. I am quite impressed by how well they have found a niche way of getting a labour supply, and from the point of view of the individuals it is not so bad either because many of them at 16 with little or no qualifications do not have great opportunities, so there is an appeal there. I think that from the national point of view it is particularly discouraging that their continuing educational attainment is not part of the deal.

**Q309 Lord Turner of Echinswell:** Is that different in other countries? If I go into a convenience store in France or Germany, is there somebody receiving training which not merely equips them to do that specific job but a wider set of different jobs that they might have in the future?

*Professor Ryan:* They will have to do part-time technical education as part of it. That is regarded as essential for something to be described as an apprenticeship in other countries.

**Q310 Lord Lamont of Lerwick:** Could I just ask a follow-up on that. One of the sectors in which this country is supposed to be rather good is retailing. It does not seem to have done much harm to the retailing sector. Is it not perhaps rather theoretical of you to wish them to be some sort of higher education body rather than actually satisfying their own commercial needs, and apparently doing it pretty well?

*Professor Ryan:* My ambition is not quite higher education, just somewhere in-between what there is and what could be. Yes, our retailing sector is successful and it is very innovative. I have no problem with that, but that is not to say it could not be more successful if it had a more educated middle managerial workforce. That is a possibility, and it is not to say that the individuals involved might not have better options were they to have acquired more education along the way, because they may not want to spend the rest of their lives in retailing.

**Q311 Lord Macdonald of Tradeston:** This is to take another angle on what Lord Lawson was saying. We have heard a lot of evidence here about the steadily improving performance in educational achievement over the last decade and yet there still seems to be a gap there. Why has this improvement in literacy and numeracy not satisfied the demands of the employers? Are they now looking for higher qualifications in a more competitive world and is it simply that despite the improvement young people have not been measuring up to the new needs of industry?

*Professor Ryan:* In some cases they have satisfied the needs of employers. We did not find, say, in general construction or retailing any serious problem with the low achievements of some of their entering trainees, so some employers are happy to live with it. There is an element of rhetoric to the complaints about low educational attainment too. In the more demanding sectors, I was struck that the most ambitious construction firm we talked to, an electrical contracting firm, only required a couple of Ds at GCSE from its entering apprentices.

**Q312 Lord Macdonald of Tradeston:** I am interested in that because you often get these fashions in complaint and when you investigate them there is not a lot to it. There were some areas of complaint about over-regulation that I used to look at in government that did not have much substance once you pinned the employer to the wall and asked them to detail it. Do you think there is a fashion of complaint in numeracy and literacy at the moment and it is perhaps not as essential as people make out in a lot of important jobs?

*Professor Ryan:* That is a tough call and I would not want to go on the record as saying that numeracy and literacy are not important, but I think there is an element of separation between the actual behaviour of some employers and the rhetoric of employers as a whole.

**Q313 Lord Macdonald of Tradeston:** That was what I meant, that they would use that as an excuse perhaps for other failings in their own organisations and recruitment policies or whatever.

*Professor Ryan:* It does divert attention elsewhere.

**Q314 Lord Lamont of Lerwick:** Just going back if I might to this question of the retail sector, when you were making your remarks at the beginning you laid great emphasis on technical specific skills and the phrase you used was “doing it properly” is what we lack compared with other countries and you then talked about sectors, such as engineering and construction, which obviously have very specific technical skills in them. In retailing surely there are not comparable technical skills to the same extent. Doing a spreadsheet is not a technical skill, it is a very general skill that can be used in the financial sector as well as the retail sector or any service sector. What is it you would actually like in the retail sector for them to be doing that they are not doing?

*Professor Ryan:* I think you have put your finger on it actually. The spreadsheet example is a good one. It is a skill that is of use in a range of sectors, it is not a high level skill but it is a skill that needs to be developed and is a very valuable thing to have developed as part of your technical training, technical education in that sector. Yes, retailing

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needs more of the soft skills and less of the hard skills, and I think it would be very interesting—

**Q315 Lord Lamont of Lerwick:** An apprenticeship should be rather specific to the industry as well.

*Professor Ryan:* No, that is where I think we go wrong. Yes, there has to be a balance between the occupational sector preparation and the general intellectual development of the person, and we have put the emphasis so much on the utilitarian immediate business needs of the employer, the skill needs of the job as defined in that sector, that we forget about the wider developmental functions that an apprenticeship serves in other countries. It used to be the ambition in the post-war decades of this country too in the attempt to get all 18-year olds into part-time vocational education and all 16 and 17-year olds into part-time vocational education through the 1960s. There were quite impressive achievements in the 1950s in that direction for males.

**Q316 Lord Sheldon:** In the light of what you have just said, that you want to have an improvement in the content of many apprenticeships, how are you going to get that? What is your attitude to a statutory framework as one way of getting it? How else are you going to get it?

*Professor Ryan:* One answer to that would be the Irish one, “I wouldn’t start from here”, but we do start from here. Further education, the *Berufsschule* approach, would be important in my plans to redesign apprenticeships were I ever in a position to have influence on it. Unfortunately, I think we have gutted our further education colleges, we have driven a lot of technically competent people out into other areas. This is somewhat anecdotal but I was struck by a female friend of mine who is a qualified maths teacher who taught in the local further education college. The pay and conditions of work had degraded so much in the last 10 years that she left and is now teaching foreign students maths for A level, which is a very useful thing from an export point of view but it is a great loss to further education. When I studied German myself a few years ago at a further education college—I am sorry, I am going on a little here—I talked to an experienced teacher I would have liked to see taking the evening class but she said, “There is no way I will do that for £18 an hour in the evenings” and we were taught by two language students from Austria who were just available and were pushed into teaching the adult German class. When we have done this to our further education system, it is very hard to see how one can just go back and use that to start rebuilding the technical education content of apprenticeships, but I would want to try and do that.

**Q317 Lord Sheldon:** That is the supply side but what is going to create the demand from employers or Sector Skills Councils or whatever for the technical educational demand?

*Professor Ryan:* That is the very difficult question, you are absolutely right. I would like to see government make more of an effort to mobilise employers in the public interest rather than just in the business interest. The ethos in the last 10 or 15 years has been very much “organise your skills and training policies to suit your business needs” and I can see the case for that and have no objection to that on one level, but I think it misses the opportunity to say to employers, “Look, you have the training programmes, they could be used for wider purposes and we will make an effort to get other employers to join you in doing it, we do not simply expect you to do it alone with your good training programme”.

**Q318 Lord Turner of Ecchinswell:** This strikes me as a fundamental point. If we are attempting to do something which is not in the short-term self-interest of the companies themselves but does have a wider social and economic benefit, then that requires one of two forms of policy, either the government essentially pays for it to a greater extent than at the moment because it is a public good and the government pays for it and makes it worthwhile for those employers to provide some training themselves, or it regulates them and tells them they have got to provide something above and beyond what they would provide themselves. What policy levers do you think we should pull?

*Professor Ryan:* That does clarify it. I am a bit sceptical about the benefits of subsidies in this area because the employers with good programmes spend a lot of money on each apprentice and in relation to the kind of subsidies that one would have in mind—say in engineering, the LSC offers £15,000 per apprentice completion at the moment. If the employers are spending £60,000 per apprentice, as seems to be broadly the case, doubling £15,000 to £30,000 will not make a colossal difference to their willingness to offer apprenticeships. Subsidies would be very expensive to have much effect, I think. Regulation is politically very difficult in a liberal political economy such as ours; we have tried it and not done it very well. That does leave me implicitly falling back on—it sounds very weak but it is something worth exploring—a form of moral rearmament in this area, that there is a national interest, a national educational need, and we expect people with influence in this country to get together to do something about it. It is not just a matter of giving key skills training to 16-year olds who did not learn much at school. That may be very optimistic but, to me, that is the preferred way.

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**Chairman:** It was a clear answer to the question absolutely.

**Q319 Lord Sheldon:** Some large firms offer apprenticeships and some other large firms do not, what is the difference between them?

*Professor Ryan:* Usually a difference of circumstances and sometimes of perceptions. If we think of skill needs of employers, we formulated this in our analysis in terms of three routes to generating skill: you can recruit somebody who is already trained, which is traditional in construction, let us say; you can take somebody who is semi-trained in your production operation and give them upgrade training; or you can take on typically youngsters and give them an apprenticeship. The merits of those three routes vary an awful lot from situation to situation. For employers who face a well-stocked occupational labour market, as many construction firms do, their first recourse will tend to be recruitment, but some of them say that recruitment, while it puts the bodies at the benches, does not select the right people, that they tend to be footloose and uncommitted. That is one of the drawbacks of recruitment for some of the employers. That favours apprenticeship. Upgrade training tends to be more successful when the skill needs are not too high but if you do need a serious technical education, say in aerospace, it is going to be very difficult to upgrade a production worker to become a skilled craft worker. That also favours apprenticeship. Then there are some positive arguments for apprenticeship that we saw, and this one surprised me: quite a few of the employers who favour apprenticeship, including BT, have the perception, and I think some evidence too, that it actually reduces turnover amongst skilled workers, that by taking a 16–20 year old—they are usually 18–20 in that case—and training them and socialising them at the same time in the company's values and methods you increase the probability that they will stay with you despite having more favourable outside opportunities. That is one unexpected benefit of apprenticeship from a labour market economics point of view. I must say I have forgotten the other one.

**Q320 Lord Sheldon:** Do all engineering firms not depend upon apprentices?

*Professor Ryan:* No.

**Q321 Lord Sheldon:** How can they manage without apprentices?

*Professor Ryan:* We saw a fascinating case in Cheshire of an engineering firm producing electric motor controllers. They have a Toyota production system. They used to train their technicians by apprenticeship but they scrapped that and now take their production workers, people with some service, the ones who they

think are loyal, and give them upgrade training to become production technicians, and that involves two hours of class work a week. They have scrapped apprenticeship, as an expensive way of getting those skills, in favour of upgrade training of their production workers. I found that not totally encouraging but a very sophisticated response to their business situation. They are in a very competitive product market where keeping the cost down is key to keeping the business.

**Q322 Lord Sheldon:** But is that not a particular job, a particular function, rather than a more general one which most engineering firms require?

*Professor Ryan:* Yes, but it is a matter of degree. Their production technicians do have a wide range of things they might have to do. I agree it is perhaps less broad than, say, a technician in aerospace, so it makes it possible in a situation like that in a way it would not be in aerospace, but still it is an interesting move away from apprenticeship and may illustrate one of the reasons why some firms do not do apprenticeships.

**Q323 Lord Macdonald of Tradeston:** Could I just ask for your response to the report you may have seen over the weekend that, because of the huge volume of construction in prospect in the United Kingdom, we will need hundreds of thousands more trained construction workers over the next decade. Do you think there is a way that that will be realised through the present system?

*Professor Ryan:* Well, we have used immigration a lot and I am sure we will continue to use immigration a lot. It is hard to see the construction industry generating a large volume of Level 3 apprenticeship training, partly because Level 2 is the target for most of the trades nowadays and it is the target and the end point for most of the traditional trades in construction, but also in terms of numbers taken on, the numbers just are not big enough to generate that level of increase in activity.

**Q324 Chairman:** If I may say so, you have been absolutely brilliant at answering questions and sometimes you have answered them before we have actually asked the question. You knew broadly the questions we were going to ask and you seem to have done a brilliant job of covering the ground. I wonder if I could finish by asking you this question: what do you think would be the most helpful thing we could say in our report? You know what we are trying to do. What do you think is the way forward?

*Professor Ryan:* I believe you are going to look at other countries.

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**Q325 Chairman:** We are.

*Professor Ryan:* If you do, I would be very happy to see you say, “They do not do it like that elsewhere and they do it better”.

**Q326 Lord Macdonald of Tradeston:** Any particular country?

*Professor Ryan:* I would start with Ireland because it is very close. It took its apprenticeship system from this country and it is only in the last 15 years that it has followed a continental route; before that Ireland did everything we did a couple of years later.

**Q327 Chairman:** The key difference, as I understand what you are saying, is you consider their apprenticeship scheme to have a broader base rather than just technical on-the-job training. That is the key to it.

*Professor Ryan:* Yes. They are all three-to-four year programmes. They do not have apprenticeship in retailing, in association with that, and the government provides quite serious funding for off-the-job away-from-the-workplace technical training and vocational education in three large blocks during those four years. In that sense the government makes sure that the technical education gets taught.

**Q328 Lord Lawson of Blaby:** If that is the difference in the input, what is the difference in the output or, if you do not know that, what would you expect to be the difference in the output, by which I mean, if Ireland is doing it better, what social and economic end objectives are they better achieving? Do you believe that they have companies that have higher productivity as a result? Do you believe they have less

of a tail of low-skilled people who will be in and out of unemployment or out at very low-paid work during life, or is it some other category of advantage? Where would you expect to see the advantage?

*Professor Ryan:* I think the advantage is very much in the middle of the skill distribution, the intermediate skills. It does not carry much implication for the low achievers who generally will not get into that kind of apprenticeship system. Ireland has its labour market programmes for them too, which have not been merged with apprenticeships. It is very hard to see things like that come through in productivity, although we try and there is some evidence in favour of it. If you compare the construction industries in the two countries, I would expect to see that your average construction craft worker is better educated and more skilled—I put the emphasis on education but I would also expect to find more skill—and less prone to doing shoddy work.

**Q329 Lord Macdonald of Tradeston:** Better built buildings?

*Professor Ryan:* Yes, better built buildings.

**Q330 Lord Lawson of Blaby:** I think that the return Lord Turner is talking about is the critical thing, but how about the other side of it because do they spend more per head than we do? I should know this but I do not.

*Professor Ryan:* They spend a fair amount, it is an expensive system. I have not got the exact figures but it is more expensive.

**Chairman:** Can I say thank you very much. You have told us a lot in a relatively short time and we are very grateful to you. Thank you very much indeed.

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TUESDAY 13 MARCH 2007

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Present	Kingsdown, L Lawson of Blaby, L Layard, L Macdonald of Tradeston, L Oakeshott of Seagrove Bay, L	Paul, L Turner of Ecchinswell, L Vallance of Tummel, L Wakeham, L (Chairman)
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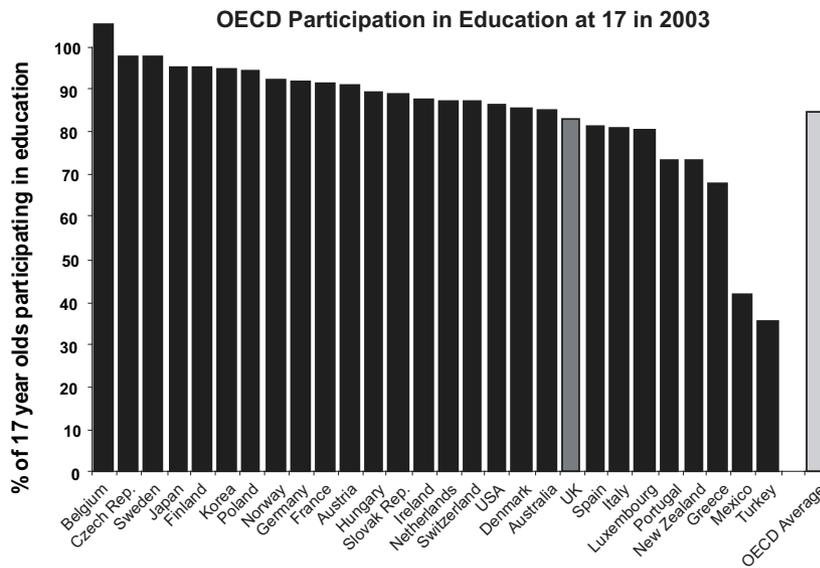
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**Memorandum by the Department for Education and Skills in conjunction with the  
Learning and Skills Council**

INTRODUCTION

1. This memorandum addresses the Committee's concerns regarding the employment and training opportunities for low-skilled young people. The document will explain what both the Department for Education and Skills and the Learning and Skills Council (LSC) are doing to increase the employability and productivity of all young people aged 14–25.
2. Our aim is to develop an education system where every young person has opportunities to learn in ways that motivate and stretch them; a system where, through their own hard work and that of their teachers, trainers, lecturers and tutors, young people are able to qualify themselves for success in life. As evidence in annex 2 demonstrates, a good education is the key to better life chances—a route out of poverty and into better opportunities. Improving levels of education and skill not only delivers benefits to the individual, but to the community, economy and wider society.
3. There is an economic, as well as a social argument, for making sure that everyone is stretched to the limit of their abilities; that they are equipped for rewarding work and a fulfilling life, with a clear path into higher education; whilst ensuring that no-one leaves school without at least basic skills in Maths and English. This means we must focus on the crucial 14 age point, which research repeatedly demonstrates is the stage when many pupils are lost forever—mentally leaving education then, before physically dropping out at age 16. There are several reasons for low skills and poor productivity:
  - some young people continue to be poorly served by an education system that does not recognise their diverse range of talents; respond to their preferred learning styles; engage them and motivate them to learn;
  - when young people are at risk of dropping out—for whatever reason—they are not being picked up quickly enough and in a way that offers them personalised support;
  - the current system is still not focusing sufficiently on those skills that will help young people to succeed and contribute fully to the economy;
  - some young people are therefore leaving the education and training system having failed to develop a foundation in the right skills; having failed to get qualifications that will serve them well; and having failed to be helped to continue with their education and training until they have at least reached Level 2, but preferably Level 3.
4. Much of the Government's education policy is therefore designed to increase participation in education and training and to raise attainment.
5. The UK has relatively poor productivity in terms of GDP per hour worked compared to other major economies, although we have made progress in recent years. Lord Leitch concluded that where skills were once a key driver of prosperity and fairness, they are now *the* key driver. Achieving world class skills is *the* key to achieving economic success and social justice in the new global economy. However, we already lag behind our competitors on basic and intermediate skills levels; on the proportion of our workforce with low or no skills; and the numbers of young people leaving education with few or no qualifications. We are determined to see a step change in skill levels in the workforce so that we keep pace with our international competitors. As Lord Leitch has shown in his review of skills, simply achieving our current targets will not be enough. While the UK presently compares relatively well at graduate level, the increased number of graduates in India and China means growing our own supply of high level skills—particularly in science and technology—will be a priority.

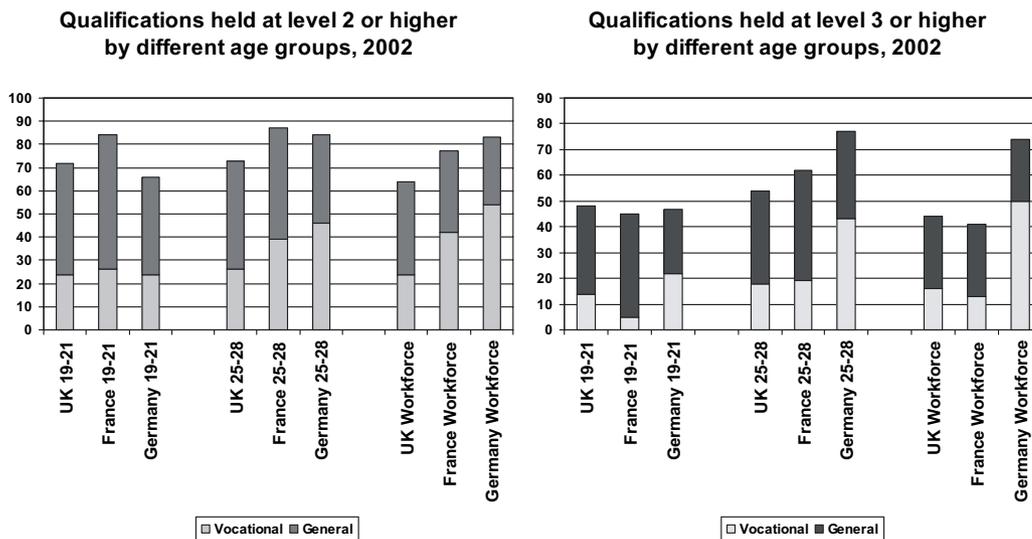
6. Young people must be participating in education or training if they are to attain the necessary levels of skill to achieve in life. Yet more young people in the UK are dropping out of education and training before the age of 18 than in many other countries. For all the improvement in individual schools, colleges and other work-based learning providers, not enough young people feel engaged by the education on offer. For participation at age 17, the UK is ranked 20th out of 29 OECD countries.



Source: OECD, Education at a Glance 2005.

The OECD use a headcount measure of participation. These figures should be treated as indicative.

7. For attainment at 19–21 (the only international data available), the UK trails France but leads Germany at Level 2 and is ahead of both for Level 3, but our relative performance declines significantly thereafter.



Source: Skills Audit Update, Steedman et al, DfES Research Report 548, 2004.

8. Working with employers through Sector Skills Councils, Diploma Development Partnerships, the National Employer Service and the new Train to Gain programme, we are encouraging them to maximise their investment in skills and further increase their role in the design and delivery of training.

9. The LSC plays a critical role in delivering our policies at a local level, is committed to raising their contribution to economic development and has an active part in the development and implementation of regional and sub regional strategies. Working in partnership with local authorities, Regional Development

Agencies and Jobcentre Plus to bring skills and employment closer together, the aim is to up skill the workforce and help disadvantaged young people get the skills they need for employment, particularly those from deprived neighbourhoods. The LSC's role includes working with the FE sector to focus on providing the skills that employers need, building on flagship programmes such as Train to Gain, and the Apprenticeship and Entry to Employment programmes. Such actions will be closely linked to regeneration in deprived neighbourhoods, inward investment and responses to any large scale redundancies. Part of this process will be to allocate funding to key disadvantaged groups and those not in work, to find employment with training. This process will engage with employers. Employers are increasingly seeing the business case to engage with hard to reach learners to tackle their own skills shortages, particularly where major growth is expected. Development of local people can often be more cost effective than importing staff if a project takes place over a long period of time. The LSC can discuss with employers their needs and how these can relate to disadvantaged communities or those not in work.

10. Information and advice about learning and work underpins the Government's aim to up skill the nation, increase productivity and encourage social mobility. Information, advice and guidance (IAG) promotes the benefits of learning, helps individuals to address and overcome barriers to learning, and supports them in making realistic and well informed choices.

11. It should be noted that what follows refers only to England, since we do not have jurisdiction over the education system in the Devolved Administrations.

#### WHAT ARE WE DOING IN ENGLAND TO INCREASE THE EMPLOYABILITY AND PRODUCTIVITY OF ALL 14–19 YEAR OLDS?

##### *Our Aims*

12. Our 14–19 reforms have the twin aims of raising participation rates post 16 and improving attainment levels by age 19. We have a number of targets and indicators to measure this. We have an aspiration of achieving 90 per cent participation at age 17 by 2015 and a PSA target for a 3 percentage point rise in Level 2 at 19 attainment between 2004 and 2006 and a further 2 percentage point rise by 2008. We are confident of achieving these targets given our recent success in achieving our Level 2 at 19 target a year ahead of schedule.<sup>1</sup> The then Secretary of State announced on 26 April 2006 a long term aspiration that rates of attainment at Level 2 at 19 should rise to at least 85 per cent by 2013 on the way to a 90 per cent achievement rate.

13. Ensuring as many young people as possible reach Level 2 is important because it is Level 2 that provides the platform for employability and the other benefits outlined above. However, the economy demands ever-higher levels of skill and we are committed to building on rising achievement at Level 2 to improve Level 3 attainment.

14. We are aiming for at least 75 per cent more young people to complete an apprenticeship by 2007–08. We also want fewer young people to be outside education, employment and training, with a reduction of at least 2 percentage points from 10 per cent now, to 8 per cent by 2010.

##### *Our Objectives*

15. Our proposals for achieving these aims were set out in the *14–19 Education and Skills White Paper*, published in February 2005, and the *Implementation Plan* published in December 2005. The White Paper described a package of reforms intended to raise participation and attainment by:

- ensuring all young people master the basics in English and maths;
- motivating more young people to learn and succeed by guaranteeing an entitlement to an expanded range of learning pathways, including high quality practical learning options;
- stretching every young person; and
- providing tailored packages for disengaged young people or those at risk of disengagement.

<sup>1</sup> Our objective was to increase the percentage of 19 year olds at Level 2 by 3 percentage points between 2004 and 2006. In 2005, 69.8 per cent of people aged 19 were qualified to at least level 2—3.0 per cent ahead of 2004.

16. The Implementation Plan focuses on three key priorities: raising attainment and participation of those in the system now; reforming qualifications and curriculum; and supporting local delivery.

#### *Raising Participation and Attainment Now*

17. We are doing several things to raise participation and attainment now. For example, in September 2004 we launched nationally the Education Maintenance Allowance (EMA). EMA will play a significant role in widening access to both further and higher education, by encouraging more young people from lower income backgrounds to enter academic or vocational post-compulsory education that might otherwise have dropped out. This means more young people from lower income backgrounds will benefit from Further Education or skills-based training, improving skills and qualifications for the workforce leading to enhanced productivity. From 1 April 2005, the Learning and Skills Council (LSC) took operational responsibility for delivering EMAs on behalf of DfES. LSC have worked closely with delivery partners (schools, colleges, Connexions) to ensure balanced input is provided to design and test as the scheme is further developed. From 10 April 2006, EMA was extended to include learners on LSC funded Entry to Employment (E2E) or Programme Led Apprenticeship courses.

18. We are working with the LSC to put into place the September Guarantee. This will ensure there is an offer of an appropriate learning programme (with a school, college, work-based learning provider or employer) for every 16 year old who wants one by the September after the completion of Year 11.

19. The Progression Measure was announced in the White Paper and Implementation Plan. It aims to recognise schools which support all of their students to make good choices in education and training post-16. The Progression Measure will show what proportion of young people who leave school at 16 go on to achieve Level 2 by age 19, and what proportion go on to achieve Level 3 by that age. The results will be published in the school's profile. Web-based consultation plus focus groups and data testing with schools and stakeholders will run from January to March 2007. This will establish how the progression information will be used by schools and parents, and how it should be presented.

20. Both the Progression Measure and the September Guarantee recognise the need for good quality IAG. The Department for Education and Skills produces high quality and impartial careers information products to help young people (13–19 year olds) make decisions regarding their future learning and careers. This information is produced centrally in printed publication and web-based format, and supports local level activity by Connexions personal advisers and other careers advisers in schools and colleges.

21. We're improving the quality of teaching and learning by building on the excellent practice that's already happening. Apprenticeships are already a success story in vocational learning, starting with Young Apprenticeships for 14 year-olds, through to full Apprenticeships at Levels 2 and 3. In September 2006, 3,500 pupils joined the Young Apprenticeship programme, and Ministers have recently approved a fourth cohort of up to 9,000 pupils to start on the Young Apprenticeship programme from September 2007. Designed by employers to standard blueprint, apprenticeships meet the needs of the individual, being broader and more coherent than before, and offering greater opportunities for progression. Looking to the future, we are developing an entitlement to funding for an apprenticeship place for all school leavers who meet the entry criteria. The entitlement will apply from 2013 (expansion of places from 2008) in line with the entitlement to study any one of the 14 Diplomas at Level 1, 2 or 3. The number of young people participating in Apprenticeships is at a record level with more than quarter of a million now (up from 75,000 in 1997); completion rates continuing to improve (currently in excess of 50 per cent) and there are around 130,000 employers involved nationally. Apprenticeships give young people a chance to earn while they learn, get excellent vocational training and build a sustainable career. Employers are helped to build a professional skilled workforce, equipped with the knowledge and experience that their business needs to compete and stay ahead in today's global economy.

#### *Reforming Curriculum and Qualifications*

22. A key plank of our reforms is the introduction of the new Diploma, which will offer a radically different approach to teaching and learning for 14–19 year-olds. Available at Levels 1, 2 and 3, these new qualifications will give young people a real alternative to traditional learning by offering an imaginative, high quality blend of general education and applied learning. The unique nature of the Diplomas will engage those young people who are already achieving but want a more rounded, coherent and contextualised experience, focused on the real world of work; it will also engage those who are disaffected or less well served by current provision. Diplomas at all levels will incorporate: principal learning; additional/specialist learning; generic learning.

23. By September 2013, a new entitlement will ensure every 14–19 year old in the country will have the choice between all 14 lines of the new Diplomas, whether they're preparing for the most demanding university courses, planning to enter full-time employment directly at 18, or are currently not engaged in employment or training.

24. Content for the first five Diploma lines (ICT, Society Health and Development, Engineering, Creative & Media and Construction & the Built Environment) has now been agreed and these qualifications will be available in September 2007 for first teaching in September 2008. The next five Diploma lines (Land-based and Environmental, Manufacturing, Hair and Beauty, Business Administration and Finance and Hospitality and Catering) will be available in September 2009 and the remaining four (Public Services, Sports and Leisure, Retail and Travel and Tourism) in September 2010. We are also considering the role of a "general" Diploma to sit alongside these more "specialised" Diplomas.

25. Diplomas have been employer designed and consequently address concerns employers have told us they have about the workforce. Employers and HE tell us that young people are lacking the "functional" skills they need. We have therefore developed new functional skills qualifications and amended performance tables so they show English and Maths GCSE results. We are also creating more space in the Key Stage 3 curriculum, to allow catch-up or stretch if necessary.

26. The development of functional skills is a critical component of the 14–19 reforms and will be at the heart of all qualifications—GCSEs, Diplomas and Apprenticeships—as well as being available as stand-alone qualifications for young people and adults alike. Achievement and progression in English, maths and ICT will enable individuals to operate confidently, effectively and independently in life and at work. The definition of these has been agreed and trialling of the draft standards and assessment regime is taking place with a limited selection of providers in this academic year. Evidence from the trialling phase will enable refinements to be made; these in turn will form the basis of the larger national pilot which begins in September 2007. The English and ICT functional skills qualifications will be available from September 2009 whilst the maths qualification will be available from 2010. Employers will benefit from saving time and money on basic training if we ensure young people leave education with the fundamental skills they need for a productive working life.

27. Employers and HE also tell us that people don't have the softer, personal skills they need and that these are actually more important than specialist knowledge. In response, we have developed a new framework of personal learning and thinking skills,<sup>2</sup> which are being embedded in Diplomas and informing other reforms such as the introduction of the Extended Project and creating greater stretch and challenge at A level.

28. Since September 2004 there has been a statutory requirement that all young people should experience some work related learning (WRL) at Key Stage 4. Students must learn through, about and for work. WRL is offered as a range of suitable experience through and across the curriculum (rather than as a separate subject with a programme of study). WRL includes the development of enterprise capability as an important outcome, as well as the work experience that most young people have during this stage. Diplomas will include 10 days of work experience, as well as having a curriculum heavily related to work through the use of real-life projects and resources provided by employers.

#### *Supporting the disengaged and those who need more help*

29. The Key Stage 4 Engagement Programme is a new initiative designed to offer a comparable experience at 14–16 to Entry to Employment, which is an established, highly personalised programme for 16–19 year olds. Offering a motivating and engaging route for 14–16 year olds at risk of disaffection, it will have a significant work-focus of up to two days a week, as well as intensive advice and support for participants. Participants will continue to follow the KS4 statutory curriculum. From 2007–08 there will be up to 10,000 places with pilots in 2006–07.

30. Progression pathways are critical since they are the foundations which will support young people to progress in learning and into more highly-skilled employment. Working in conjunction with the new Diploma pathways, the Foundation Learning Tier (FLT) will replace and rationalise the current complex range of provisions and qualifications below Level 2. It will create a coherent system of units and qualifications that are easier for learners and employers to navigate, and are focused on skills for life and work, subject and vocational based learning and personal and social development. Clear stepping stones will enable learners to access their first full Level 2 programme. Trials run from September 2006 to July 2007 and phased implementation starts on 2007 for completion by 2010.

<sup>2</sup> The framework captures the essential skills of: managing self; managing relationships with others; and managing own learning, performance and work. The six skill groups are: Team workers; Self-managers; Independent enquirers; Reflective Learners; Creative thinkers; and Effective participators.

*Supporting Local Delivery*

31. Finally, these reforms won't work unless the delivery system is reformed to support the highly diverse needs of learners, and to ensure full access to a wide range of learning opportunities. Delivering the entitlement to greater curriculum choice will require institutions to collaborate because very few will be able to offer the full range of options on their own. We expect schools, colleges, independent training providers, employers and others to deliver Diplomas as part of a collaborative local partnership, rather than acting in isolation. A consortium should encompass all relevant local partners, including links to higher education institutions and Lifelong Learning Networks where appropriate. Collaboration is key, but we will give local areas the flexibility to decide how best to deliver the entitlement.

32. The Framework for Excellence is a mechanism of balanced scorecard/overall performance ratings to inform learner and employer choice. Initially it will not apply to school 6th forms because performance information for them is produced by other means. The LSC will work with institutions with 14–19 provision to ensure that robust, credible, consistent and comparable data on quality can be made available to learners and parents to ensure that valid comparison and choice can be made, for example as material for local area indicators and 14–19 area prospectuses.

33. Local Authorities and the LSC will work together to deliver 14–19 education, to identify gaps in provision and commission provision to fill these. We are developing the existing planning and funding system to be more responsive to learner and employer needs, stimulating and meeting demand through market place commissioning and using the market place to improve the choice and quality on offer. It will be the role of Government Offices with the LSC to monitor the development of 14–19 partnerships within the Regions.

34. Every area of the country will be expected to develop and deliver an area prospectus—a searchable internet based source of information on all local 14–19 courses, by September 2007. Local Authorities and the LSC will take the lead in drawing up these prospectuses, ensuring that young people know what provision is on offer to them in each area. Area prospectuses will be useful tools in auditing and defining the local offer for young people and will help to identify gaps and unhelpful overlaps in provision.

**WHAT ARE WE DOING IN ENGLAND TO INCREASE THE EMPLOYABILITY AND PRODUCTIVITY OF 19–25 YEAR OLDS?**

35. Our commitment to young people and their education and training does not end when they reach 19.

*Adult Skills—The Story Since 1997*

36. We have given top priority to providing more help to those with low or no skills and qualifications to improve their employability and access to further learning. Over a million people have been helped to improve their basic literacy and numeracy skills. From April 2001 to July 2005, 1,275,000 adults achieved a qualification in one of these three areas.

37. We met our interim target of one million adults to have achieved a first Level 2 qualification (five GCSEs at grade A\*–C or equivalent) between 2003 and 2006. The proportion of adults in the workforce with at least this level of qualification has risen by 12 per cent to around 73 per cent. Employers are in the driving seat of training and skills development.

38. The Level 2 entitlement provides free tuition for all adults studying for their first full Level 2 qualification; the entitlement has been available nationally from September 2006. The entitlement sends a strong signal about the priority we attach to helping adults with few or no qualifications to attain a good platform of those wider employability skills represented by a Level 2 qualification.

39. In summer 2006 a new national programme, Train to Gain, was launched. It offers employers fully subsidised training for low skilled employees up to a first Level 2 qualification and support for progression to Level 3, allowing employers to shape the design and delivery of training. Results from pilot schemes mean we expect 175,000 full Level 2 qualifications each year to be achieved through Train to Gain, working with 50,000 employers.

40. All 25 Sector Skills Councils are now in place ensuring employers have their say over the training and qualifications needed in their sector. Over 14,000 Union Learning Representatives are working to engage adults in learning opportunities. Every adult in England can access a free, integrated information and advice service comprising the national learndirect telephone and on-line advice service and local nextstep information and advice services, with priority for those without a first, full Level 2 qualification. IAG services will promote awareness of the Level 2 Entitlement and the Adult Learning Grant, advising individuals on eligibility and supporting them where necessary in making applications. IAG will also form a key part of the support available to individuals and employers in the new national employer training programme, Train to Gain.

41. We are developing world class expertise in vocational learning, driven by the needs of employers. A network of 386 Centres of Vocational Excellence is in place, and we will raise the bar for accreditation and require a more direct role for employers in the next phase of the programme. The first four National Skills Academies launched in 2006, with a further eight to open by 2008.

*Skills Strategy—Young Adults*

42. We recognise that we need to do more to help those young adults who have not achieved a Level 3 qualification by the time they reach 19. From September 2007, a new entitlement to free tuition for a first full Level 3 qualification for 19–25 year-olds from 2007–08 will be introduced, supported by an extra £25 million from Budget 2006. This will help us to tackle a particular weakness in skills development in this country.

43. In many other countries, much larger numbers of young adults achieve Level 2 and 3 qualifications between the ages of 19 and 25. By contrast, in the UK there is a sharp divide at the age of 19. Up until that age, every young person who wants to participate in education and training, full time or part time, is guaranteed free access. Beyond 19, there is a clear, well-understood pathway for young people who have achieved a Level 3 qualification and want to progress into HE. They are well supported to carry on in initial education through to ages 21 or 22. However, for those who do not achieve a Level 3 qualification and go on to HE the options for continuing in their late teens and early 20s can be less clear.

44. The new entitlement for a first full Level 3 for 19–25 year-olds builds on the existing entitlement to free tuition towards a first full Level 2 qualification. To support the introduction of this new entitlement, we expect all Sector Qualifications Strategies to identify the full Level 3 programmes that employers in that sector judge most valuable, so that we can inform and advise learners accordingly. That will include promoting advanced Apprenticeships. This new entitlement will give many more young adults an opportunity to prepare themselves for success in life through the education and training system. It will improve our skills base and help us to close the gap between qualification levels in this country and abroad, which opens up in this age group. It will provide routes back for those who left education early and want to return in order to improve their qualifications and job prospects.

45. In addition, as we develop the Foundation Learning Tier (FLT) as a coherent framework of units and qualifications below Level 2, and as resources allow, we will extend the entitlement for 19–25 year-olds to FLT programmes which most effectively support progression to Level 2 and beyond (the “progression pathways”).

46. The LSC is currently carrying out regional trials of a means tested Adult Learning Grant. This typically provides up to £30 per week for disadvantaged adult learners undertaking full time courses in FE. Evidence so far shows that the grant is particularly valuable for young people in their early 20s who are studying for their first Level 3 qualifications, and in many cases working part time and living with their parents. The grant will therefore form a valuable complement to the 19–25 entitlement. An additional £11 million, allocated in the Budget 2006, will bring forward the roll out of the Adult Learning Grant to achieve national coverage by 2007–08. We will trial in a small number of areas a new type of Learner Account which will help to provide better information and choice for all adult learners at Level 3. Accounts will be trialled by the LSC from autumn 2007 and evaluated before any decision is taken to extend them geographically or to other forms of learning. In the trials of Adult Learner Accounts, all our support for 19–25 year-old learners will be brought together through the account mechanism. In the pilot areas, both fee remission and the Adult Learning Grant will be paid through the account.

47. The preferred route to Levels 2 and 3 for young people aged 19–25 remains Apprenticeships and Advanced Apprenticeships. Brokers and Train to Gain providers are required to offer Apprenticeships to all employers for this age group.

**SUMMARY**

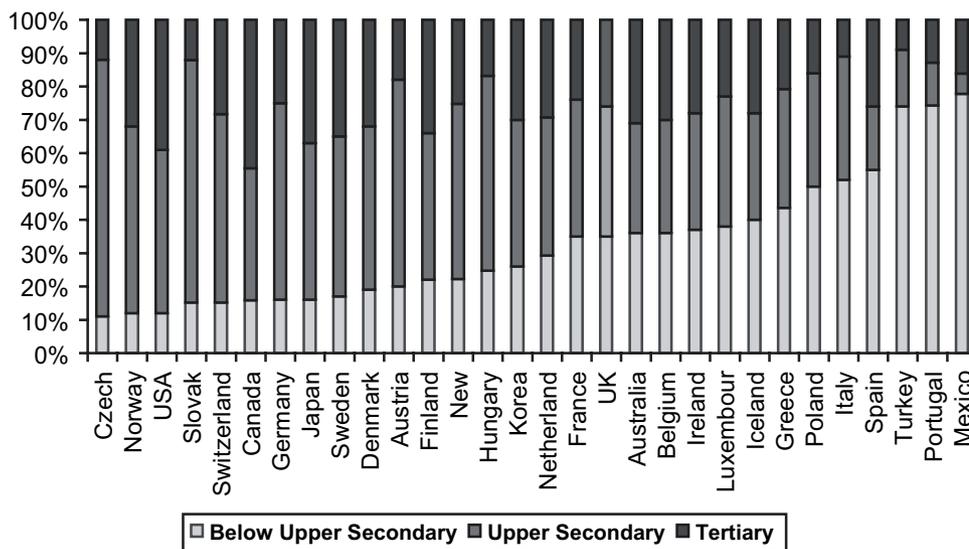
48. In summary, these policies together are encouraging basic skills, promoting personalised learning, adopting an employer-led approach and providing a greater breadth of provision. All of which will help to improve the employability and productivity of all young people aged 14–25.

1. How do skill levels, productivity and employment rates compare across different sections of the labour force and how do they compare with other countries, such as the United States, Japan, France, Germany, Italy and Spain?

*Skill levels*

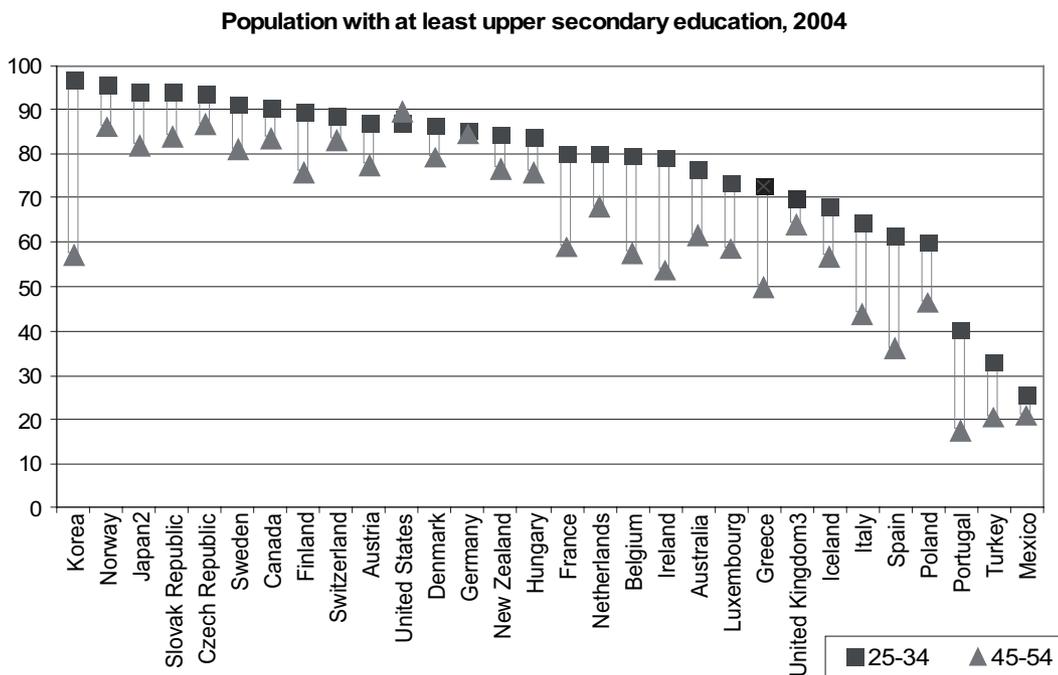
We have a long tail of low skilled adults: 17 countries in the OECD, including five other G7 countries, have smaller proportions of adults with low skills. However we have made significant progress in recent years. The proportion of 25–64 year olds holding at least an upper secondary qualification increased by 12 percentage points to 65 per cent between 1998 and 2004. This is the largest proportionate increase in the G7 and the sixth largest in the OECD.

**International Qualifications Profile, 2004 OECD**  
**UK ranked 18th/30**



Source: OECD Education at a Glance 2006.

Despite progress in improving the flow of qualifications into the workforce, described above, the stock of low-qualified adults plus the rate of improvements in other countries mean that the UK appears to be slipping slightly further behind. The chart below shows that the UK has made less progress on improving the flow of young people into the workforce with at least upper secondary education, having started from a comparatively poor position.

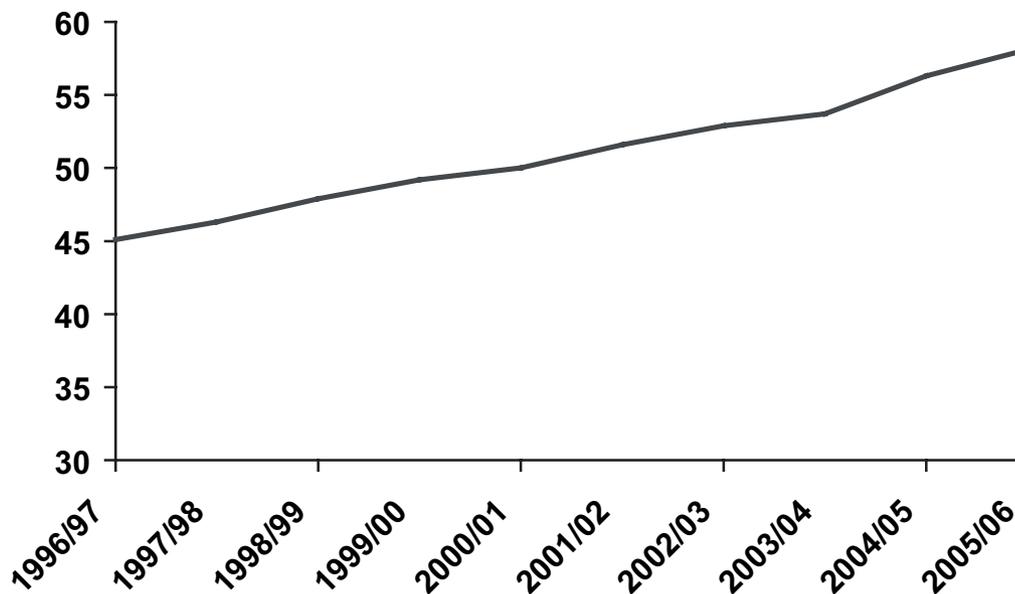


Source: OECD Education at a Glance 2006.

Among 45 to 54 year olds, the UK scores relatively poorly, with less than two thirds qualified to upper-secondary level of education. However, little ground has been made up over the past 20 years or so with a number of countries overtaking the UK. By 2004, 30 per cent of the UK's 25-34 year olds still had no upper secondary education.

There has been, however, a continuous improvement in the attainment of 15 year olds in recent years. The proportion of 15 year olds attaining five or more GCSEs (or equivalent) has risen from 45 per cent in 1996-97 to 58.1 per cent in 2005-06. Including English and Maths, the proportion was 45.1 per cent in 2005-06.

**Percentage of 15 year olds achieving 5+ A\*-C GCSEs (or equivalent) 1996-97 to 2005-06**

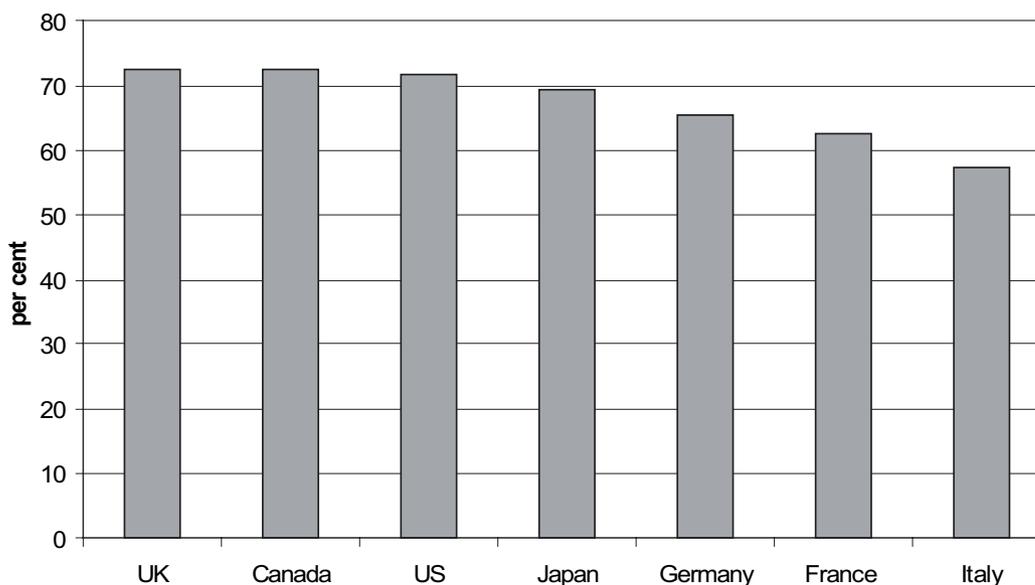


Source: DfES SFR 41/2006.

### Employment Rates

The UK has a high employment rate—recent data show it was 74.5 per cent for the three months ending September 2006. This is high by international standards. The UK has one of the highest employment rates in the G7 and fourth highest in the EU25, after Denmark, the Netherlands and Sweden.

**Employment Rate in G7 Countries 2005**

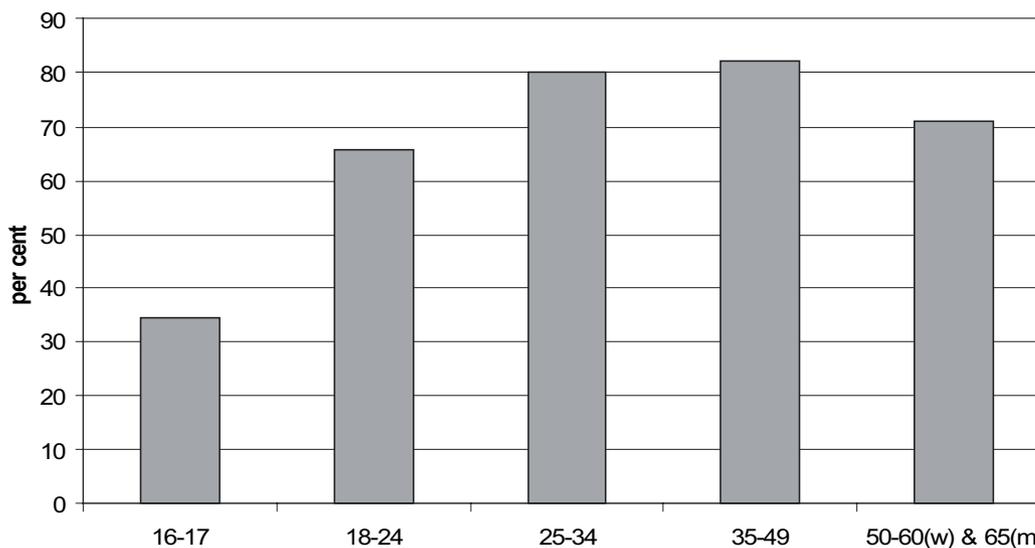


Notes: Figures refer to 2005 and are for all those aged 16–64 in UK and USA and all those aged 15–64 in Canada, Japan, Germany, France and Italy.

Source: OECD Employment Outlook 2006.

Employment rates also differ by age group. In the three months ending September 2006, around 35 per cent of 16–17 year olds were in employment compared to over 80 per cent in the 25–34 and 35–49 age groups.

**Employment Rate by Age Group**

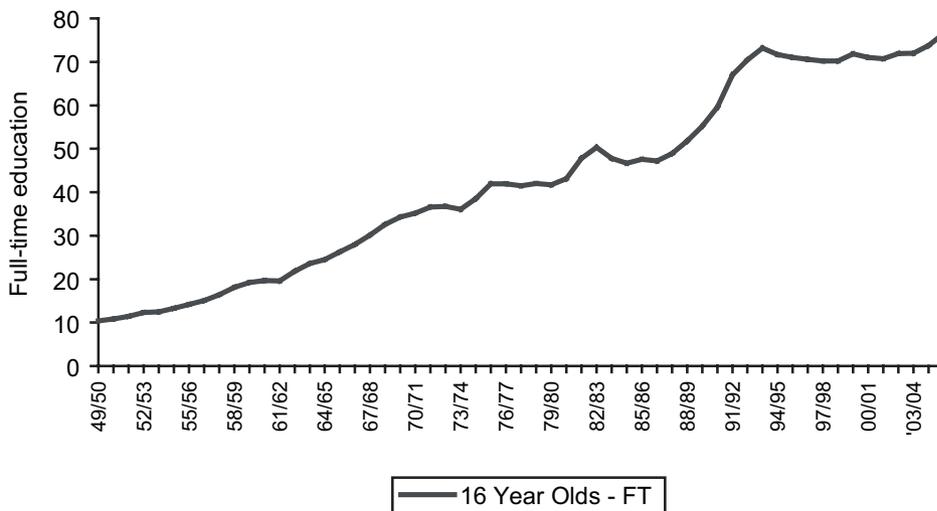


Source: ONS Labour Market Statistics November 2006.

The lower employment rates of young people largely reflect increases in numbers of young people staying on in full time education, and on into higher education. For example the proportion of 16 year olds in full time education has risen by almost 30 percentage points in the past 20 years. And following a flattening of the trend

in the mid-1990s, participation has started to rise again in recent years due, in part, to the introduction of the Education Maintenance Allowance.

**Proportion of 16 Year Olds in Full-Time Education**

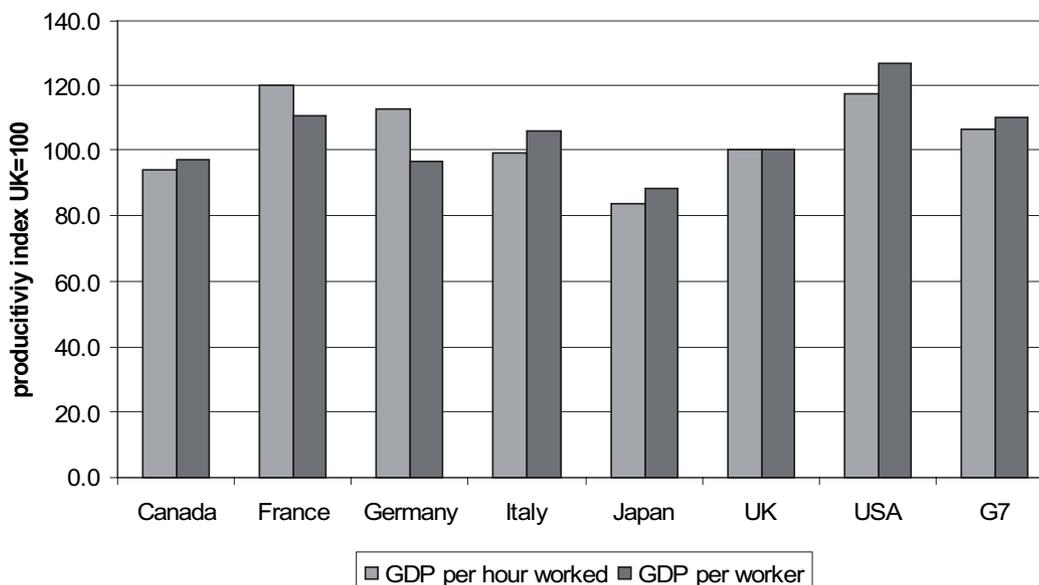


Source: DfES SFR 21/2006.

*Productivity*

Skills are one of the five key drivers of productivity, along with enterprise, innovation, competition and investment. However the UK does not fare too well internationally in terms of productivity. In terms of GDP per hour worked,<sup>3</sup> workers in France are 20 per cent more productive per hour than UK workers, workers in US are 17 per cent more productive and Germany 13 per cent more productive.

**International Comparisons of Productivity 2005**

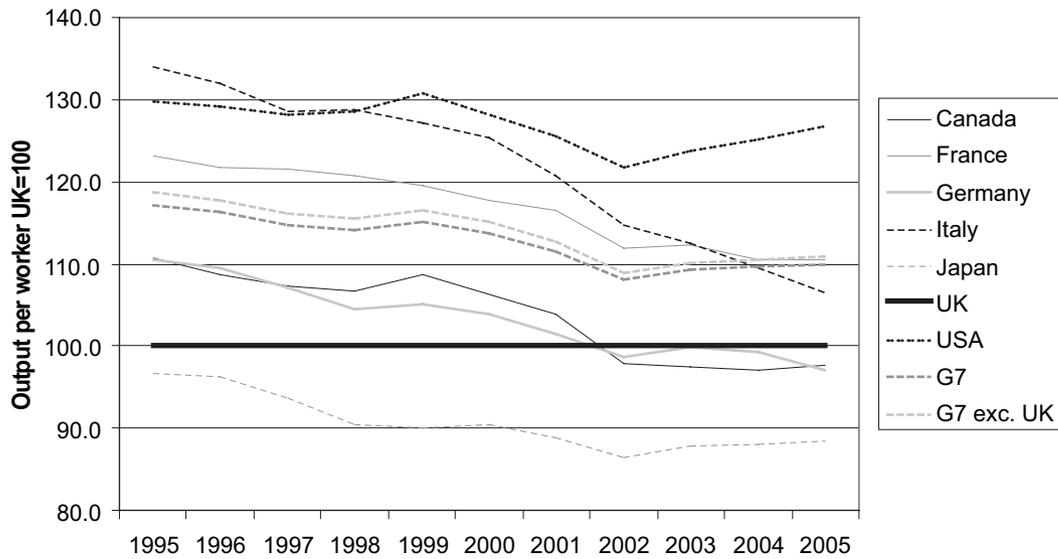


Source: ONS International Comparisons of Productivity 2005.

However, there has been significant progress on reducing productivity gaps with our competitors in recent years. For example, in terms of output per worker, the gap with Germany, France and US has been narrowed by 14, 13 and 4 index points respectively and the UK has increased the positive gap with Japan.

<sup>3</sup> This indicator more accurately portrays the UK productivity situation as it takes into account the number of hours worked, not just the output per worker.

**International Comparisons of Productivity 1995-2005**



Source: ONS International Comparisons of Productivity 2005.

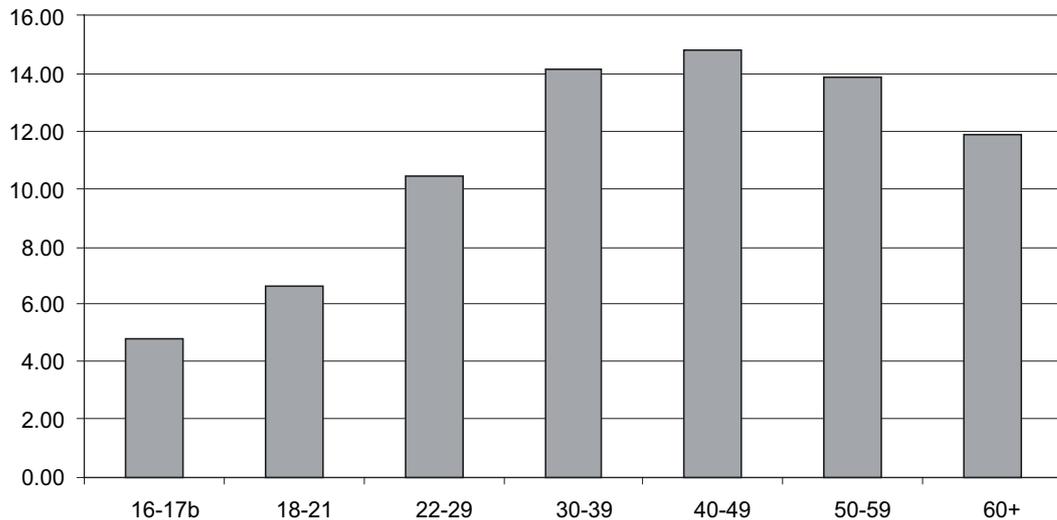
Analysis of productivity by age is discussed in question 2.

2. Is there a particular problem concerning productivity and employment levels among the unskilled young? If there is a problem, is it different to the problems faced by all unskilled workers, irrespective of their age?

*Productivity*

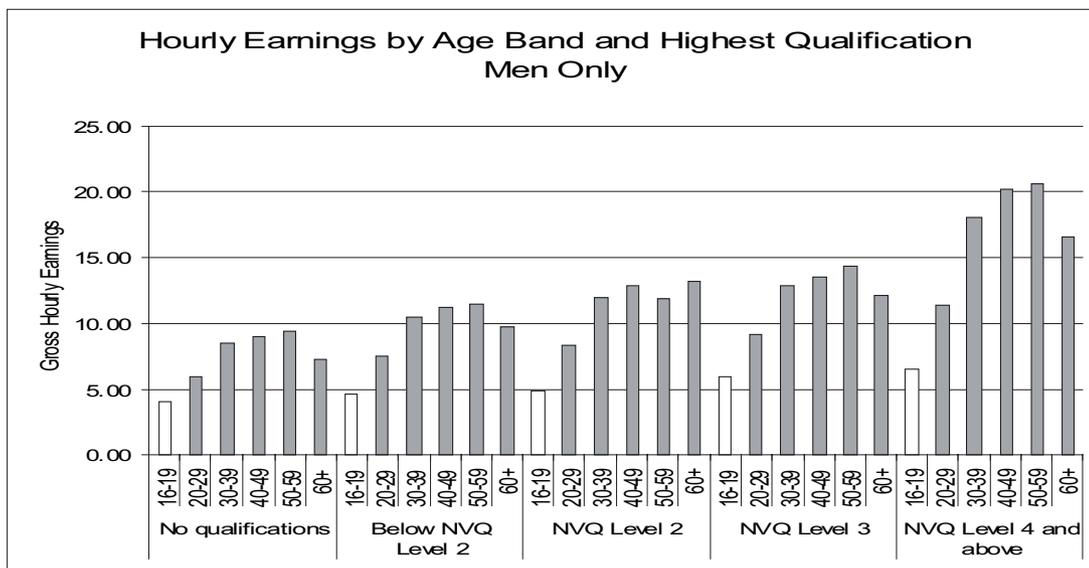
There are no figures for productivity by age on a similar basis to that discussed in question 1. However, analysis of wage rates provides an indication of the extent to which employers are willing to pay more for workers of different ages, perhaps because they believe them to be more productive. The chart below shows hourly earnings by age group.

**Mean Gross Hourly Earnings, excluding overtime by age**

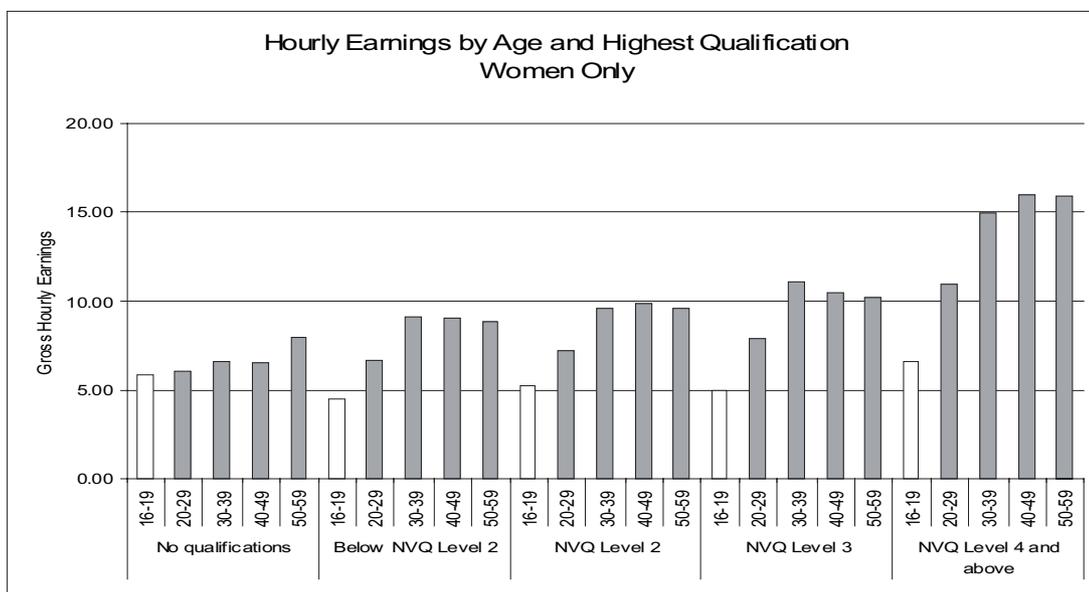


Source: Annual Survey of hours and earnings 2006.

However, such analysis of raw earnings does not necessarily imply that young people are less productive. There are a number of different factors which affect the wage rates of individuals—qualifications and experience are highly important, but also other factors such as region, industrial sector and family background characteristics may have important influences on earnings. The charts below show hourly earnings by age group for given qualification levels.



Source: DFES Analysis of Labour Force Survey Quarter 3, 2006.



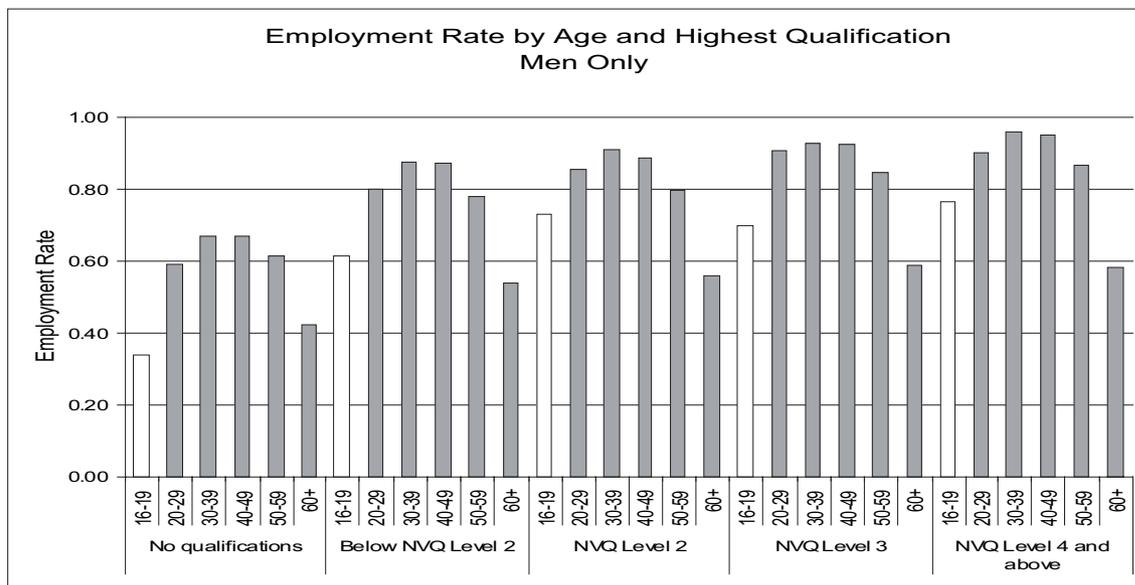
Source: DFES Analysis of Labour Force Survey Quarter 3, 2006.

In general people earn more (and hence are likely to be more productive) as they become more qualified and, for any given qualification level, as they become older. The gap between the earnings of older and younger workers is greatest for adults holding NVQ level 4 and above.<sup>4</sup> This may reflect the greater opportunities for earnings progression for more highly qualified individuals as they advance in their careers. These patterns are observed for both men and women.

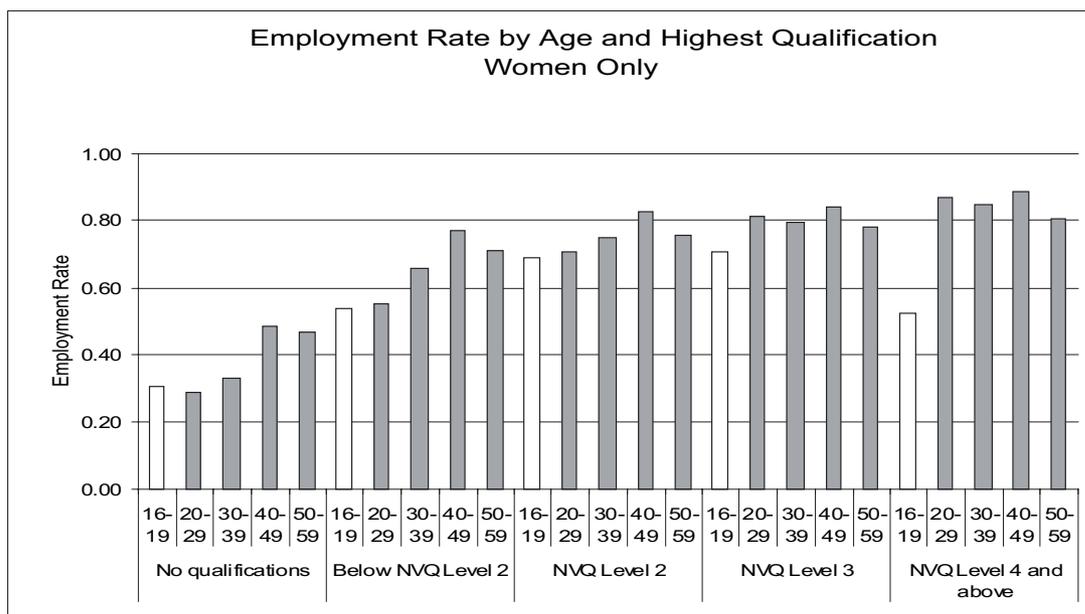
<sup>4</sup> Earnings data for individuals aged 16 to 19 with NVQ Level 4 qualifications should be treated with caution since there are too few of these individuals for this data to be considered reliable.

Employment rates

Employment rates also differ by qualification level and age group, as shown in the charts below.



Source: DfES Analysis of Labour Force Survey, Quarter 3, 2006.



Source: DfES Analysis of Labour Force Survey, Quarter 3, 2006.

In general people are more likely to be employed as they become more qualified—this is particularly the case when moving from no qualifications to below Level 2 qualifications and particularly the case for women. For any given qualification level, people are more likely to be employed as they get older up until a point (typically around 40 to 49 years) and then employment rates tail off as retirement age is reached. The gap between the employment rates of older and younger workers is generally smaller for more educated workers.<sup>5</sup> Hence younger workers with low or no qualifications are particularly vulnerable in the labour market relative to their older counterparts.

<sup>5</sup> Employment data for individuals aged 16 to 19 with NVQ Level 4 qualifications should be treated with caution since there are too few of these individuals for this data to be considered reliable.

As discussed in question 1, the fact that young people are less likely to be employed largely reflects their higher likelihood of participating in post-16 education. The vulnerability of young people who enter the labour market with no qualifications highlights the need to ensure appropriate kinds of education and training provision are available for this group. This is discussed further in questions 6, 7, 8 and 10.

3. *Does the evidence suggest that employment rates and earnings among young people are limited by a lack of appropriate skills?*

As noted in question 2, in general individuals of any age are more likely to be employed and earn more once in a job if they become more qualified and consequently acquire more skills. But for a given qualification level, younger people are in a weaker labour market position in terms of employability and earnings than their older counterparts. This may reflect the fact that people acquire relevant skills through workplace experience which are recognised and rewarded by employers.

There is some evidence that some younger workers are limited by a lack of appropriate skills. Whilst the National Employer Skills Survey 2005 found most employers (60 per cent to 81 per cent) who had recruited young people direct from education thought they were well or very well prepared for work, significant minorities thought otherwise.

#### VIEWS OF EMPLOYERS WHO RECRUITED YOUNG PEOPLE ON WORK-PREPAREDNESS

<i>Preparedness for work</i>	<i>16 year old school leavers</i>	<i>17–18 year old school/college leavers</i>	<i>University/HE leavers to age 24</i>
Very well prepared	14%	15%	26%
Well prepared	46%	54%	55%
Poorly prepared	23%	19%	10%
Very poorly prepared	8%	5%	2%
N	7,339	11,557	9,865

*Source:* NESS, 2005.

The main ways in which employers feel young first-jobbers are poorly prepared are:

- 16 year old school leavers: lack of working world experience (cited by 16 per cent of recruiters); oral communication skills (16 per cent).
- 17–18 year old school/college leavers: lack of working world experience (14 per cent); lack of motivation/commitment (14 per cent).
- Under 24s from university/HE—technical/practical/job-specific skills (18 per cent), business/practical experience (12 per cent).

This evidence does not suggest a wide-scale problem concerning the work preparedness of young people but does suggest there is a minority employer need for more work experience and preparation in school, college and HE curricula.

4. *Have wage and employment opportunities for young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over recent years?*

The Accession occurred on 1 May 2004 and allowed eight<sup>6</sup> central and eastern European countries (A8) free movement of workers.<sup>7</sup> From May 2004 to September 2006, a total of 510,000 applicants registered with the Home Office under the Workers Registration Scheme (WRS), with 490,000 being accepted.<sup>8</sup> The majority (82 per cent) of registered workers were aged 18–34.

In theory, the volume of people immigrating is sufficiently high that we might expect to see some impact on the UK labour market, such as fall in employment rates and wages of certain groups and regions in the short term, leading to adjustment issues. In the long term however we would expect to see a rise in total output and employment.

<sup>6</sup> Cyprus and Malta also joined the EU at this time, but already had relatively free access to the EU labour markets.

<sup>7</sup> However, most countries have imposed initial restrictions on this free movement.

<sup>8</sup> However, this does not show how many applicants still remain as there is no obligation to deregister from the scheme upon leaving the country.

Analysis generally suggests positive outcomes of A8 migration for the UK. Portes and French<sup>9</sup> found that between May and December 2004, the primary impact of migration from the accession countries was to increase output and total employment. The only slight negative impact was a very small increase in the claimant count in areas with high levels of accession migrants.

More recent analysis<sup>10</sup> found that between May 2004 and November 2005, the impact of the A8 migrants had been modest but largely positive. There was no evidence to suggest that the A8 migrants had negatively impacted on the claimant count.

Labour Force Survey (LFS) analysis comparing certain labour market indicators pre- and post-accession suggests it is unlikely the accession has had any significant impact on the labour market outcomes of young people. There has been very little movement in the employment rate of young people since the accession, although there has been a slight fall in the youngest groups, in line with pre-accession trends.

#### EMPLOYMENT RATES OF YOUNG PEOPLE BY AGE

	<i>In employment</i>	
	<i>Q2 2003</i>	<i>Q2 2006</i>
16–19	49%	45%
20–24	69%	68%
25–30	79%	80%
Total	67%	66%

*Source:* Labour Force Survey.

Without further study it is not possible to suggest whether A8 migration has had any effect on the wages of young people. However, the earnings of young people have continued to rise throughout the period. It is likely that the increase in wages is partly to do with the increase in the minimum wage rate between these periods. The introduction of minimum wage of £3.00 per hour for the 16–17 year olds in October 2004 in particular will be significant in the increase in wage rate for the 16–19 year olds.

#### MEDIAN HOURLY EARNINGS BY AGE

	<i>Q2 2003</i>	<i>Q2 2006</i>
16–19	£4.29	£5.00
20–24	£5.93	£6.58
25–30	£8.34	£9.30
Total	£6.42	£7.14

*Source:* Labour Force Survey.

A8 migrants aged 16–30 who have arrived since 2004 are predominantly working in manufacturing (29 per cent) and in the hotels and restaurants sector (19 per cent). In comparison, younger non-migrants tend to work in the wholesale, retail and motor trade sector, with 21 per cent of 16–30 year olds in this sector. As this sector is not attracting large numbers of young A8 migrants, it is unlikely they will be causing significant crowding out of the non-migrant workers. The proportion of young non-migrants in the manufacturing sector, which is the largest sector for A8 migrants, has fallen, suggesting a possible effect. However this would need further investigation before assuming it was the effect of the A8 migration, and the fall is only slight.

<sup>9</sup> J Portes and S French: The impact of free movement of workers from central and eastern Europe on the UK labour market: early evidence, DWP Working Paper No 18 (2005).

<sup>10</sup> N Gilpin, M Henty, S Lemos, J Portes and C Bullen: The impact of free movement of workers from Central and Eastern Europe on the UK labour market, DWP working paper No 29 (2006).

## INDUSTRIAL SECTORS OF YOUNG PEOPLE AND A8 MIGRANTS

	<i>16–30 year olds</i>		<i>A8 Migrants up to end June 2006</i>
	<i>Q2 2003</i>	<i>Q2 2006</i>	
Agriculture, hunting, forestry and fishing	1%	1%	–
Mining, quarrying	0%	0%	–
Manufacturing	13%	10%	29%
Electricity gas and water supply	1%	1%	–
Construction	7%	8%	–
Wholesale, retail and motor trade	21%	21%	10%
Hotels and restaurants	8%	9%	19%
Transport, storage and communication	6%	5%	10%
Financial intermediation	6%	6%	–
Real estate, renting and business activity	11%	12%	9%
Public administration and defence	5%	5%	–
Education	5%	6%	–
Health and social work	9%	9%	8%
Other community, social and personal	7%	7%	–
Private households with employed persons	0%	0%	–

– sample size considered to be disclosive.

Source: LFS.

Overall evidence seems to suggest that the migration of individuals from the A8 has had broadly positive effects with an increase in total employment. In the short-term, there may be some adjustment issues in certain regions, sectors or age-groups, but further work is needed to fully understand this. Modelling impact of migration on the labour force is a complex one mainly because we do not have accurate data on the total number of migrants employed. Any analysis is only picking up the impact of registered migrants. Therefore a study assessing the impact on a particular age group is unlikely to be fruitful due to these data constraints.

5. *How accurately can we predict the likely future pattern of employment? Which areas of activity are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?*

Projections of the future occupational structure of the UK to 2020, commissioned for the Leitch review,<sup>11</sup> show that employment levels in higher occupational groups<sup>12</sup> such as managers and senior officials, professional and associate professional and technical occupations are set to increase. The Institute of Employment Research (IER) projects that the share of overall employment in these occupations will rise from 41.4 per cent to 46.4 per cent—a growth of over 2.5 million new jobs.

Employment levels in lower skilled professions such as elementary and machine and transport operatives are set to decrease by 978,000 in the same period. However, this masks a more complex picture for this occupational group with some machine and transport operative occupations projected to experience modest increases.

The trend in the middle ranking occupations is not as clear. A reduction in employment levels for administrative and secretarial and skilled trade occupations of 533,000 is forecast. Whilst there are projected to be increasing employment levels for personal service and sales and customer service occupations of almost 1.2 million between 2004 and 2020.

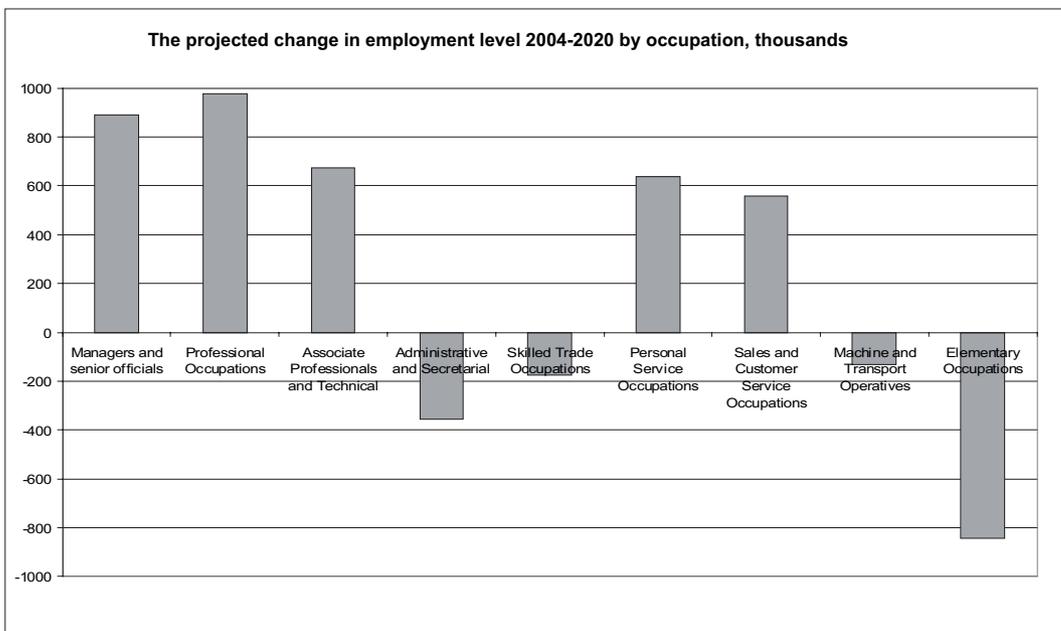
Elementary occupations are expected to continue the declining trend in employment.<sup>13</sup> IER attribute this change to this occupational group being hit particularly hard as a result of growth in IT services.<sup>14</sup>

<sup>11</sup> There are also more detailed but less forward looking Working Futures projections which look to 2014, but these generally show the same picture as those produced for the Leitch Review.

<sup>12</sup> Which are typically characterised by high skill requirements.

<sup>13</sup> This refers to the Working Futures report forecasting trends to 2014.

<sup>14</sup> SSDA, Working Futures 2004–14, National Report, p 74.

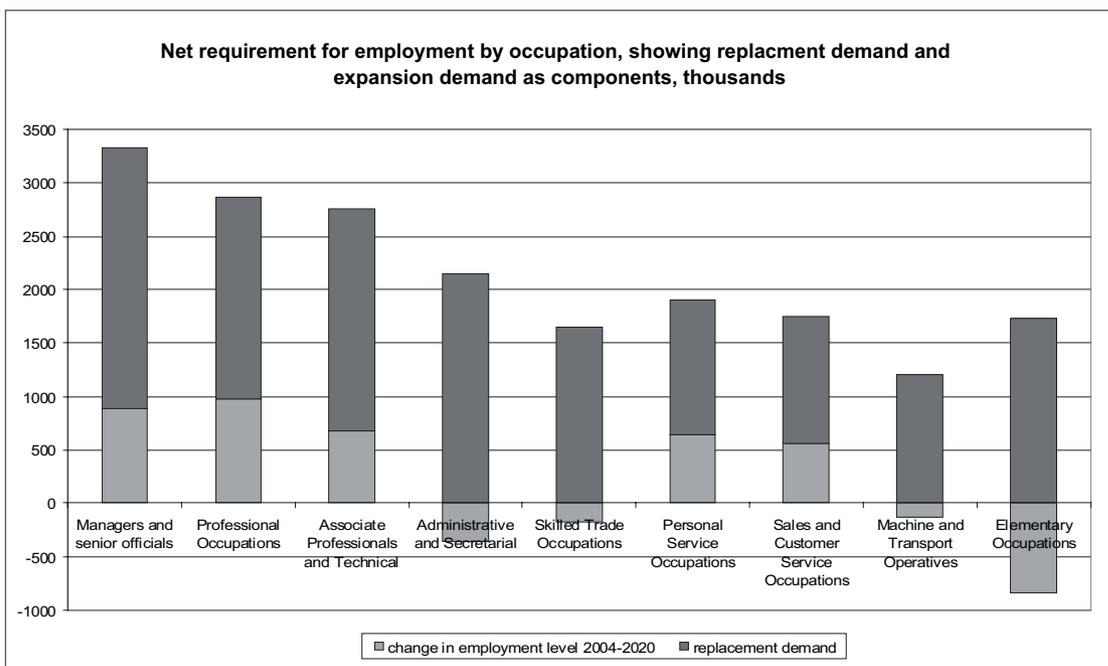


Changes in employment levels by occupation between 2004 and 2020.

Source: Leitch Review of Skills Interim Report (2005) CE/IER employment projections.

However, the growth in the number of new jobs is only one element of employment demand. We must also consider replacement demand—the demand for workers to fill positions that have been left vacant by previous workers, mainly through retirement.

IER estimate replacement demand will lead to nearly six million job opportunities between 2004 and 2020 in the top three occupational categories (managers, professionals and associate professionals). There will continue to be significant job opportunities at the lower-end of the labour market with 2.9 million jobs needing to be filled in elementary and transport and machine operative occupations over the same period.



Today’s cohort of young people is well placed to take advantage of demand for higher-level occupations in 2020 as young people entering the labour market are more qualified, on average, than the older workers leaving the labour market through retirement.

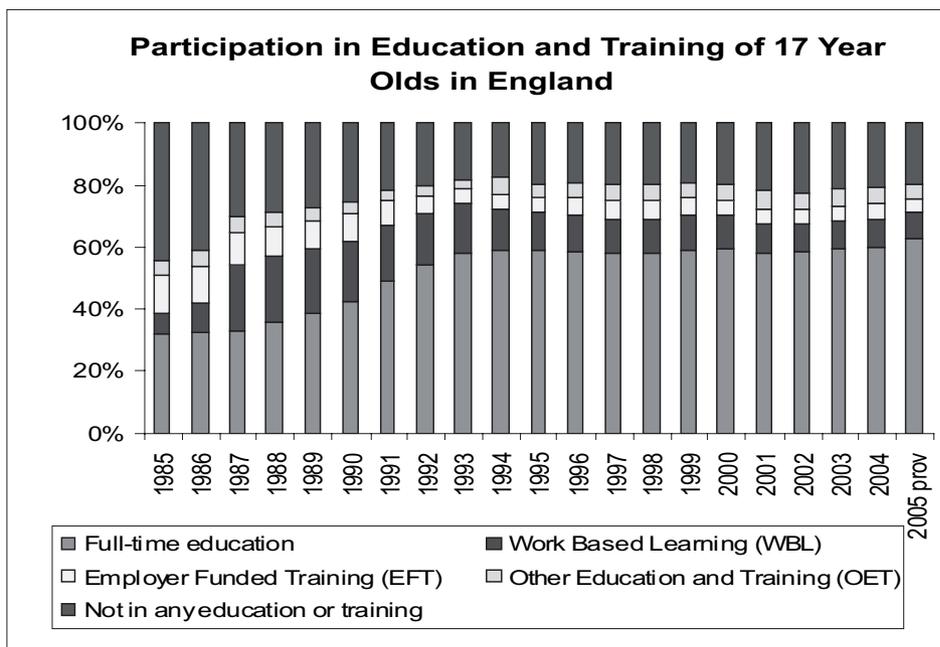
This effect can be observed in the qualifications projections produced for the Leitch Review. For example, the Leitch Interim Report suggests that if PSA targets are met and current trends continue, the proportion of 25 to 34 year olds in 2020 (ie today’s young people) with a level 4 qualification or above will be 58 per cent, up from 36 per cent in 2004.

6. *What is the rationale for government policy in this area? Has policy been based on a proper diagnosis of the problem and does it identify appropriate remedies? How do UK policy initiatives compare with policies adopted in other EU countries and the United States? Do we have anything to learn from these countries?*

*Rationale for 14–19 government policies*

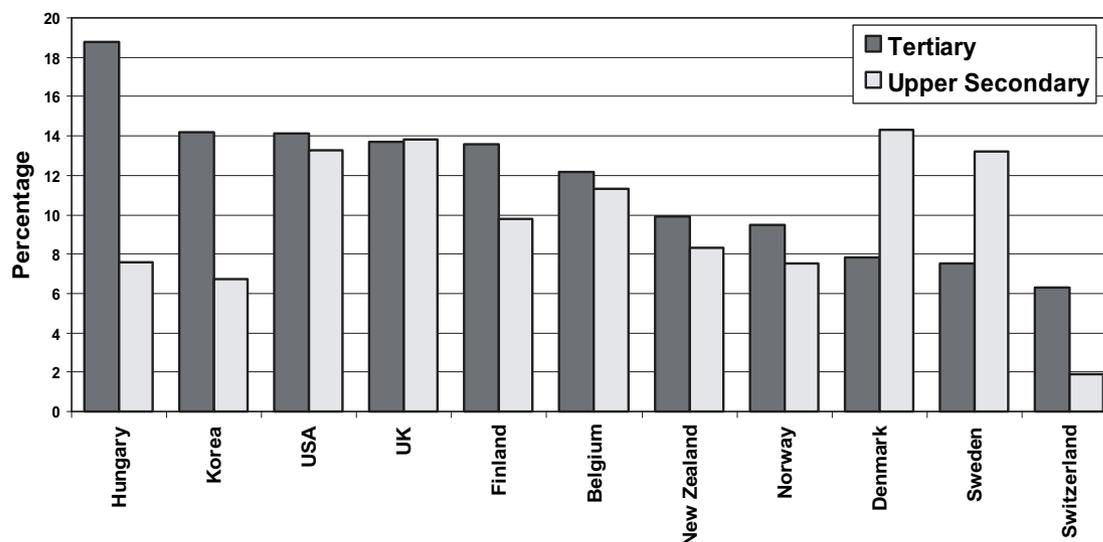
We have an aspiration, set by the 14–19 White Paper, of achieving a participation rate in education and training of 90 per cent of 17 year olds by 2015.

On the most comparable measure, the 17 year old participation rate in education and work-based learning (WBL) was 76 per cent in 2005.



Source: DFES Statistical First Release 21/2006.

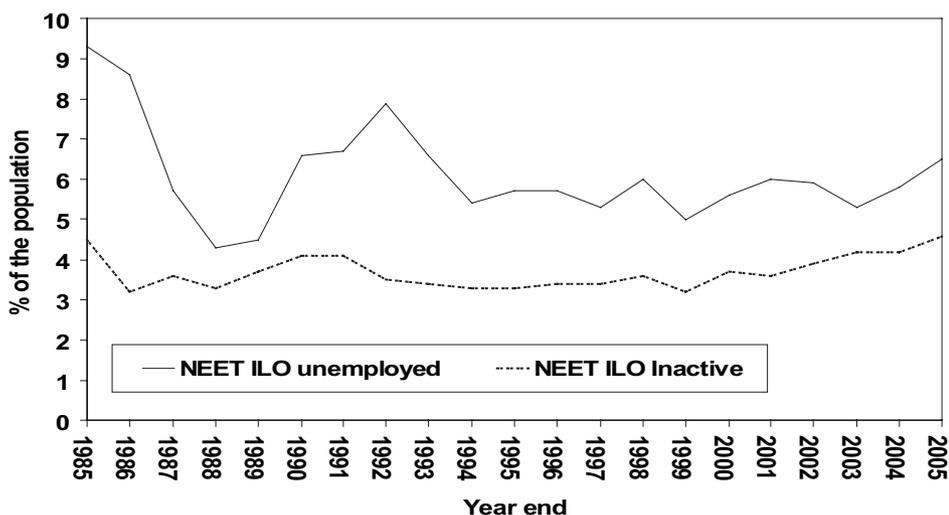
There is a strong economic rationale for expanding post-16 participation as shown by the high social rates of return to upper secondary and tertiary education in the UK, relative to other OECD countries. There is also a more severe labour market penalty for not participating in the UK than in many other OECD countries (discussed further below).



Source: OECD, Education at a Glance 2006, Tables A9.7 and A9.8.

We also have a target to reduce the proportion of young people who are not in employment, education or training (NEET) by 2 percentage points by 2010. The proportion of young people who are NEET has been stable at around 10 per cent for many years, although there has been a slight recent upturn.

#### NEET 16- TO 18-YEAR-OLDS: ILO UNEMPLOYED AND INACTIVE, ENGLAND, 1985–2005



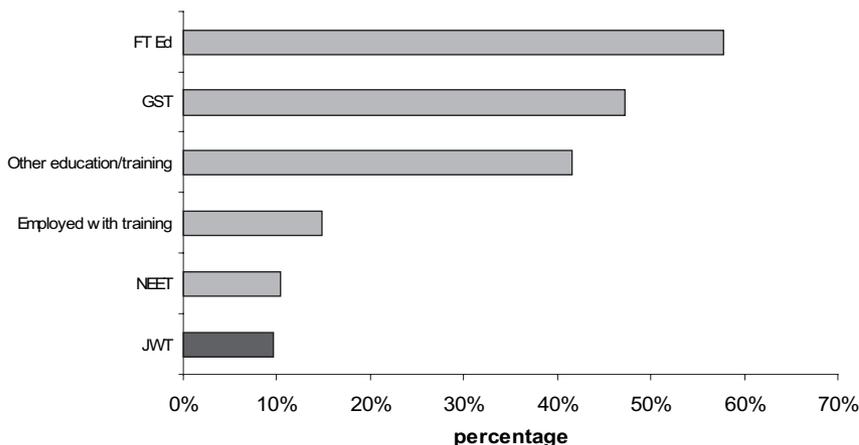
Source: DfES Official Participation Statistics.

When a young person becomes NEET, it is both an unfulfilling outcome for them personally and a substantial cost to the public purse in terms of lost productivity, higher crime rates and poorer health. The public finance costs of being NEET have been estimated at around £5,500 per NEET individual.<sup>15</sup>

The other half of young people who do not participate are in jobs without training (JWT). Whilst these young people are productive in the labour market, it is not considered a good outcome for young people. Evidence suggests these types of jobs are in low-paying sectors with low skills profiles and poor training opportunities. There is a high churn rate between NEET and JWT groups and post-16 learning for young people in JWT is as poor as those in the NEET group.

<sup>15</sup> Godfrey *et al*, Social Policy Research Unit, University of York: *Estimating the Cost of Being "Not in Education, Employment or Training" at Age 16–18, 2002 (RR346)*.

**Percentage of those below L2 at age 16 reaching L2 by age 18**

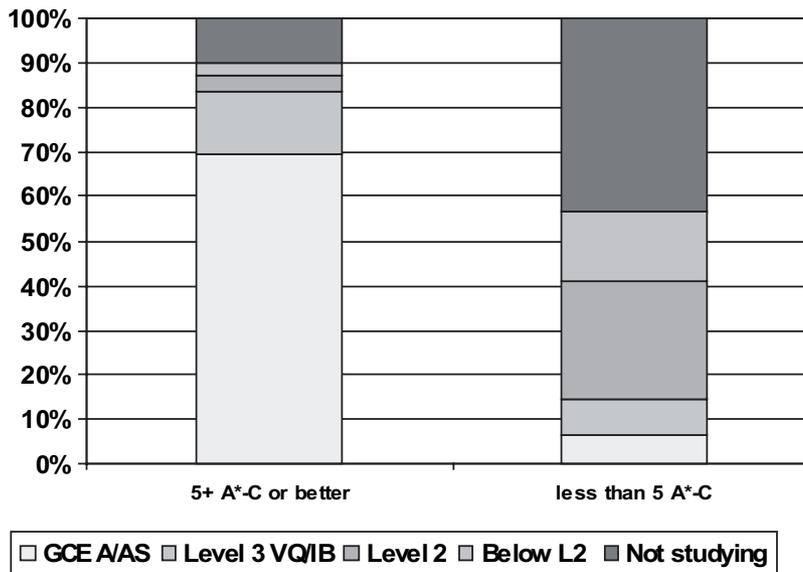


Source: YCS Cohort 11.

*Evidence base*

So what drives post-16 participation? Prior attainment is key: those with five or more GCSEs graded A\* to C are much more likely to be participating post-16 than those achieving fewer than five GCSEs graded A\* to C.

**A Tale of Two Halves: Post-16 Participation by Attainment Age 15**



Source: YCS Cohort 12.

Research suggests there are other important factors which drive post-16 participation: regional unemployment, population size, ethnicity, truancy, exclusion and parental qualifications.

For many years post-16 participation was flat, despite increases in attainment at age 15. One explanation is that the growth in attainment since the late 1990s has been driven by an increase in the numbers achieving GNVQs and vocational GCSEs which do not appear to have the same progression rates as academic GCSEs.

**PARTICIPATION IN FULL-TIME EDUCATION AND GOVERNMENT SUPPORTED TRAINING (GST) AT AGE 16, BY TYPE AND LEVEL OF YEAR 11 ATTAINMENT**

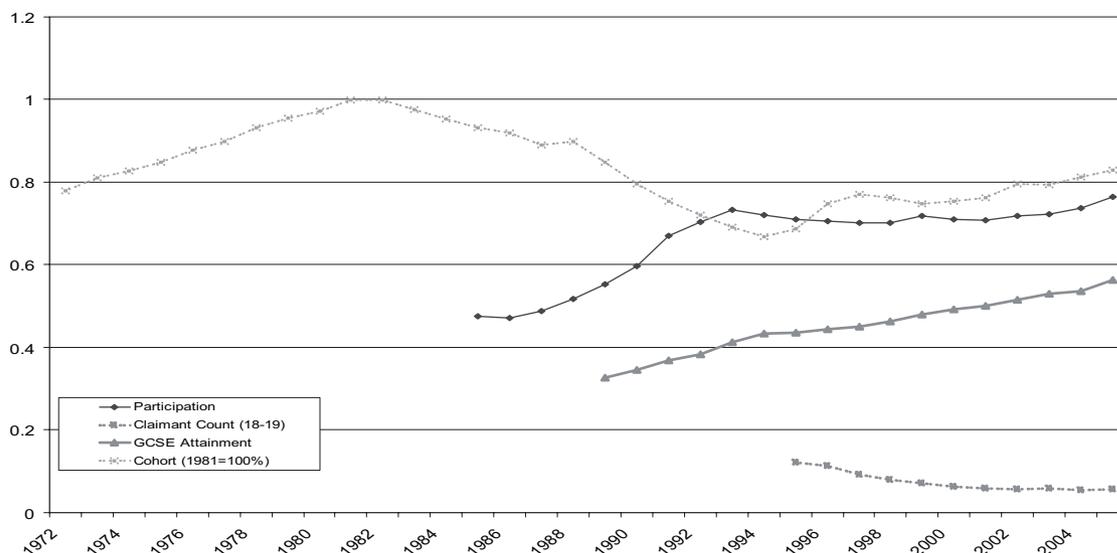
Year 11 Attainment	% in full-time education and GST at 16		Gap
	GCSEs only	GCSEs with GNVQs	
8+ GCSEs A* to C	96.3%	92.5%	+ 3.8%
5–7 GCSEs A* to C	86.1%	79.8%	+ 6.3%
1–4 GCSEs A* to C	75.4%	67.5%	+ 7.9%

Source: YCS Cohort 12.

Population size may affect participation rates because the relatively fixed size of institutions and numbers of employers prepared to offer WBL may constrain expansion. The 16 year old population has been rising since the early 1990s—putting a downward pressure on participation—but is forecast to peak in 2007, declining gently in subsequent years.

In general the labour market has been tightening with significant falls in overall unemployment since the last peak in the early 1990s. Greater employment opportunities are likely to have put downward pressure on the participation rate. The recent increase in youth unemployment may be partly responsible for the recent upturn in participation.

**Participation in Post-compulsory Education, Youth Unemployment, GCSE Attainment (5+ A\*-C) and Cohort Size**



### Policy levers

What are the policy levers to raise post-16 participation? International evidence suggests that countries with good transitions from compulsory to post-compulsory are characterised by (a) well-defined academic and vocational pathways, with flexibility to move between them; and (b) good support systems—social and financial. The policy approach follows this, falling under three main headings: advice and guidance; financial support; and curriculum reform.

A systematic review of careers education and guidance concluded that access to information about post-16 options is important to the development of young people's learning outcomes.<sup>16</sup> However evidence suggests understanding of post-16 routes, particularly non-academic pathways is low among young people and that the delivery of careers education and guidance continues to be of variable quality.<sup>17</sup> Young people also express a desire to experience what options are like rather than be told about them. Decisions are made at an early

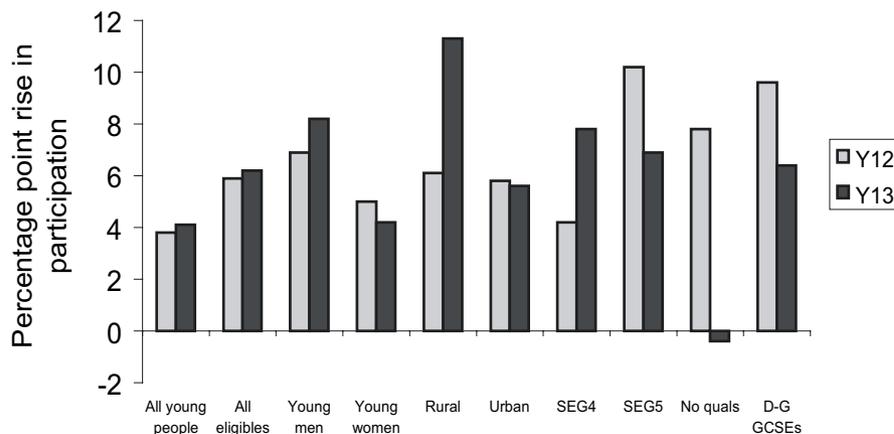
<sup>16</sup> Source: EPPI (2004) A systematic literature review of research (1988–2004) into the impact of career education and guidance during KS4 on young people's transitions into post 16 opportunities.

<sup>17</sup> Sources: Foskett, N *et al.*, 2004; NFER (2005) Interim findings from Choices work; DfES End-to-end review of Careers Education and Guidance (2004); NAO (2004), Connexions Service Advice and Guidance for all young people.

age so timely interventions are crucial: almost 80 per cent of 11 year olds who said they were going to continue in education after 16 did so, whilst two in three of those who said they planned to leave did so.<sup>18</sup>

Consistent and cohesive financial support has been identified as an important tool to increase participation. Evaluation of the Educational Maintenance Allowance (EMA) pilots found that the policy (which offers income-tested payments to 16 to 18 year olds remaining in full-time education) had a statistically significant impact on participation and a greater impact for key sub-groups. Over the past two years the participation rate for 16 year olds has increased by 4.5 percentage points, exceeding expectations of the national roll-out for EMA.

**EMA pilots - impact on participation**



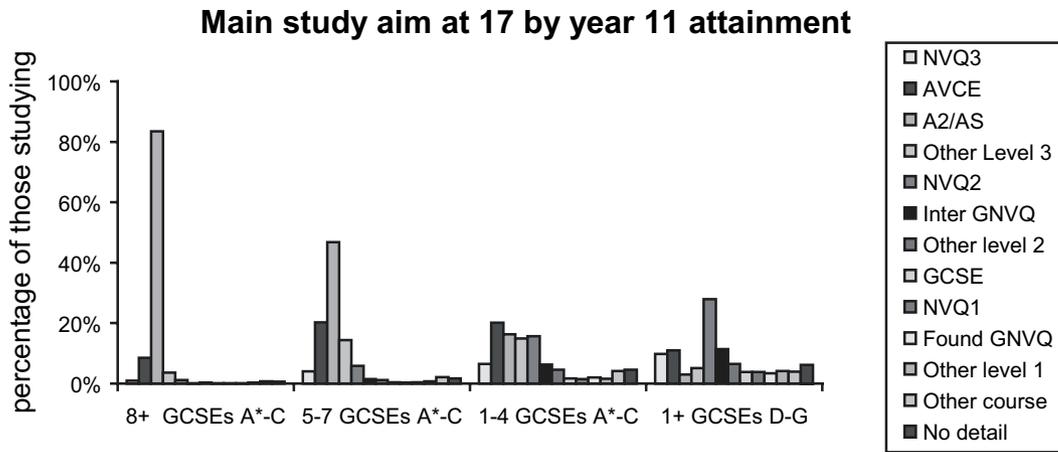
Source: EMA evaluation.

A considerable body of research demonstrates that for a significant proportion of young people of moderate or low ability, the curriculum offer and associated teaching styles are unsuited to their ability, leading to a gradual build-up of disaffection. This not only affects their achievements whilst at school, it also leads young people to decide to leave education at 16. There are two main ways that curriculum reform can increase participation: widening the offer from earlier ages and simplifying routes.

Research shows that moderate and low achievers are more likely to attain at 15 and participate post-16 if they have the option of taking vocational or work-based qualifications at school or college at age 14 to 16. Evidence from the Increased Flexibilities Programme (IFP) which provides vocational learning opportunities for 14 to 16 year olds found young people who took NVQs and GNVQs did better than expected, given their prior attainment. The majority (87 per cent) of young people on the IFP were reported by their schools to have continued in education or training after year 11.

Whilst there is a clear academic route to A-Level for high achievers, for lower achievers particularly those below Level 2, there is currently a broad (and potentially confusing) offer to choose from. The introduction of the 14–19 Diplomas in 2008 will provide a more coherent route to Level 2, Level 3 and employment that will combine generic and applied learning for young people of all abilities.

<sup>18</sup> Source: ESRC, “Croll” (2005).



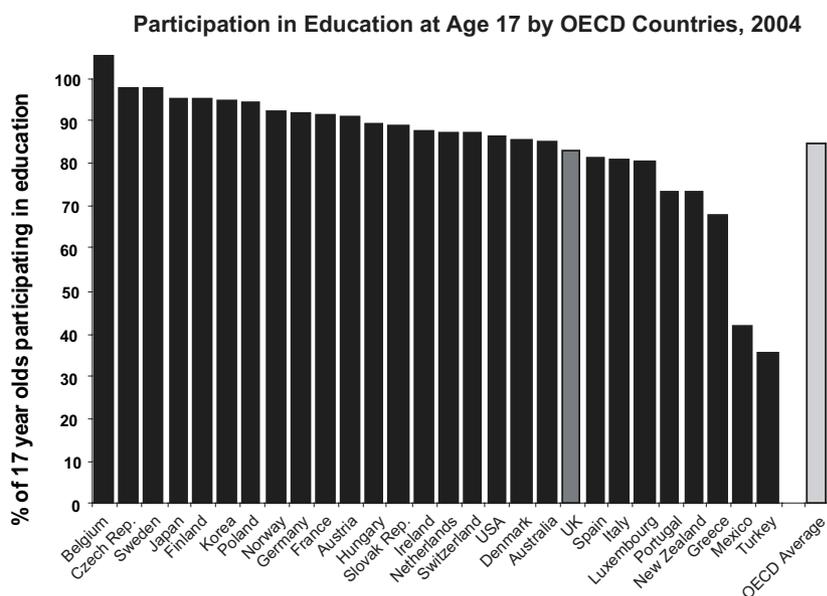
Source: YCS Cohort 11.

*International comparisons*

As noted in question 1, there has been a continuous improvement in the attainment of 15 year olds at Level 2 in recent years. However, many other OECD countries have made faster progress, overtaking the UK. For example, ranked by upper secondary attainment in the population, the UK comes 13th among 55 to 64 year olds out of 30 OECD countries (ie who completed school some 40 years ago) but only 23rd among 25 to 34 year olds (who completed school a decade ago). By contrast, Korea ranks 24th among 55 to 64 year olds but 1st among 25 to 34 year olds.

For those young people who do not complete upper secondary education, the earnings, employment and training penalties are more severe in the UK than in many other OECD countries. Employment rates among those who do not complete upper secondary education are at 60 per cent for men and 47 per cent for women, below the corresponding OECD averages of 72 per cent and 49 per cent. Among 25 to 64 year olds without upper secondary education in the UK, 38 per cent have low incomes (defined as half of the national median income or less), compared to the OECD average of 26 per cent. And the participation rate in non-formal education and training among employees without upper secondary education in the UK is less than half of the average OECD rate, averaging 103 hours compared to the OECD average of 210 hours.

Turning to post-secondary education and training, the UK's participation rate is relatively low by international standards but has improved in recent years. In terms of participation in education at age 17, the UK ranks 20th out of 28 OECD countries whereas in 2003 our position was 24th out of 29 countries.



Source: OECD Education at a Glance 2006.

Countries with high post-16 participation rates generally have only a small tail of low attainment at age 15, and/or at least one of these features:

- high-status vocational education with qualifications seen as prerequisites for entry to skilled employment: either through a distinct vocational programme (as in Finland) or through workplace-based apprenticeships with release for education (as in Germany);
- qualifications awarded at age 18 or 19, including mandatory subjects such as maths and the national language, which are regarded as the first serious currency for entry to the labour market (as in most EU countries, by contrast with the UK's awards at age 16); or
- compulsory education, full or part time, to age 18 (as in the Netherlands).

Countries with a high level of employment opportunities for young people with low education attainment tend to have higher dropout rates.<sup>19</sup>

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

#### *Existing training programmes*

The main training programme available to young people is Apprenticeships which is discussed in question 8. However, as recognised by the Modern Apprenticeship Advisory Committee in 2002, many learners are not in a position to immediately access a first Level 2 training programme. Therefore Entry to Employment (E2E) was launched in 2003 as the main programme for 16 to 18 year olds to achieve entry and Level 1 qualifications as a building block towards to Apprenticeships, employment or further learning. E2E performance data indicate 46 per cent of learners progressed to positive destinations (WBL, employment or Further Education) in 2005–06, up slightly from 44 per cent in the previous year.

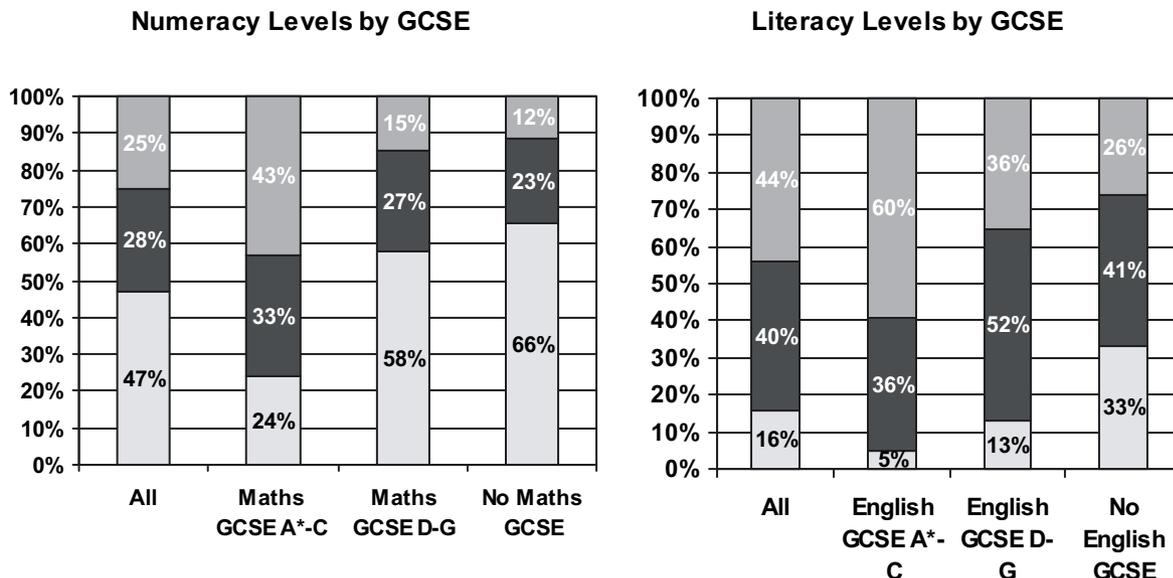
Whilst E2E has made value contributions to a wide group of learners there is common agreement that some learners are still not served well. Therefore we are currently working alongside the LSC and QCA to develop a coherent framework for provision below Level 2 for *all* young people and adults known as the Foundation Learning Tier (FLT). When phased implementation is complete by 2010 this will encompass all LSC provision at this level, including E2E.

#### *Problems elsewhere in the education system*

The success or otherwise of vocational education and training for young people is to some extent dependent on how well the education system performs at earlier ages.

The literacy and numeracy strategies in primary schools have transformed standards of achievement at age 11 and the Key Stage 3 National Strategy has been driving up achievement in the basics age 14. But despite rising attainment at age 15, young people may still leave school without a strong grounding in the basics needed for education, training and ordinary life. The proportion of 15 year olds attaining five or more GCSEs graded A\* to C (or equivalent) including English and Maths was 45.1 per cent in 2005–06, compared to 58.1 per cent for all GCSEs (or equivalent). And indeed many of those with English and Maths at GCSE do not currently meet functional literacy and numeracy standards. The new 14–19 Diplomas will lock into all qualification routes the functional skills needed for everyday life.

<sup>19</sup> Source: Study on Access to Education and Training, Basic Skills and Early School Leavers (Ref DG EAC 38/04), GHK report for European Commission, 2005.



Source: Skills for Life Survey, 2003.

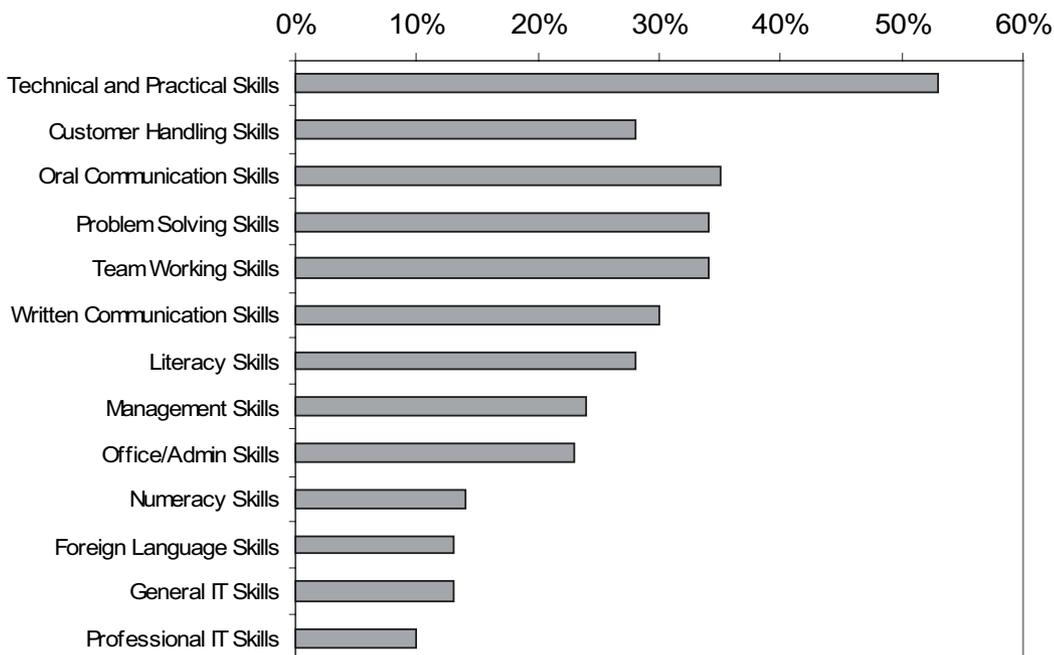
As discussed in question 6, there may be problems with young people not being aware of, or confused by, the range of vocational opportunities on offer. This highlights the importance of timely, high-quality, impartial advice and guidance alongside curriculum reform to simplify the current myriad of routes.

Also there may be problems with young people already having disengaged with the system prior to Year 11. As noted in question 6, this highlights the need to broaden the curriculum offer and associated teaching styles at earlier ages through programmes such as Young Apprenticeships for 14 to 16 year olds, the IFP and the introduction of the 14–19 Diplomas.

*Demand for specific skills*

The measures used to assess reported skills deficiencies are skill-shortage vacancies (SSVs) and skills gaps. SSVs are vacancies that are hard to fill for skills-related reasons, such as a lack of relevant experience or lack of qualifications held by the available pool of labour. According to the National Employer Skill Survey 2005, 4 per cent of employers had SSV, representing 17 per cent of vacancies. Technical and practical skills were most frequently reported by employers as lacking, in over half of all SSVs. Customer handling skills, communication skills (particularly oral communication skills), team working and problem-solving were also commonly cited.

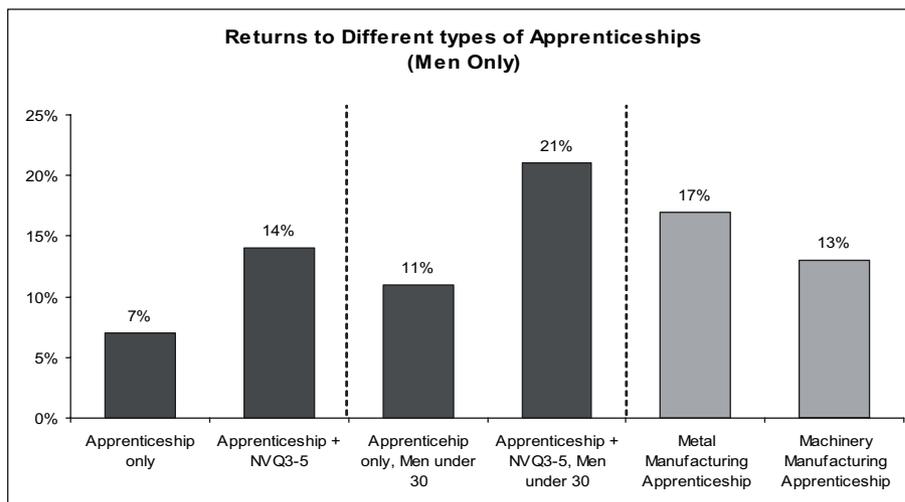
**Skills lacking in connection with skill-shortage vacancies**



Source: National Employer Skill Survey 2005. Base: All unprompted and prompted skill-shortage vacancies.

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

Academic evidence shows that apprenticeships improve the earnings and employment prospects of young people. Men with apprenticeships earn around 7 per cent more than men without. This rises to 14 per cent if the apprenticeship is acquired alongside an NVQ qualification at Level 3 or above. The wage returns are even better for men aged under 30. There are particularly strong wage returns for former male apprentices working in manufacturing industries, with weaker returns in the service sectors.



Source: McIntosh, S (2004) "The Returns to Apprenticeship Training", CEP Discussion Paper No 622.

Historically the evidence has failed to establish positive wage returns for women with apprenticeships. However, forthcoming academic evidence<sup>20</sup> finds women have robust wage returns to Modern Apprenticeships at Level 3 (equivalent to two or more A-levels), although these are somewhat lower than for

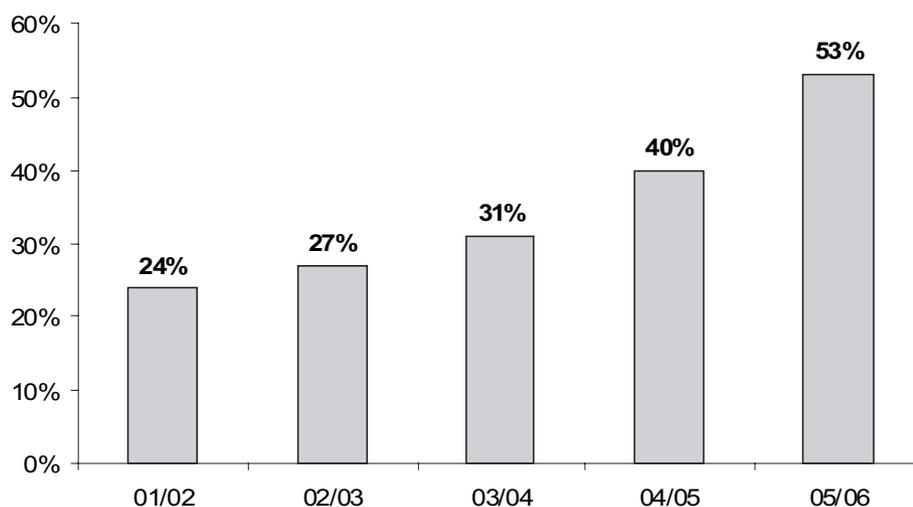
<sup>20</sup> Undertaken by Steve McIntosh for the DfES in Autumn 2006, provisionally titled "A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications".

men. The same evidence finds both men and women with apprenticeships are significantly more likely to be employed than those qualified to Level 2. The fact that employers are more likely to employ and pay more for individuals with apprenticeships indicates apprenticeships confer skills that are valued by employers.

The positive contribution of apprentices to the workplace is supported by a body of research underpinning the Apprenticeship Task Force Final Report.<sup>21</sup> According to the report, apprentices help to improve business performance by raising competitiveness, profitability, productivity and quality. They also strengthen the workforce by improving staff retention, career progression and diversity.

The popularity and success of apprenticeships has improved considerably in recent years. The number of young people participating in Apprenticeships is at a record level with more than quarter of a million now in learning, up from 75,000 in 1997. We have a target to increase the numbers completing Apprenticeships in full by three quarters by 2007–08 as compared to 2002–03. So far there has been steady progress: completion rates have doubled since 2001–02. However, there remain some sectors with low achievement eg construction and hospitality.

### Apprenticeship Framework Completion Rates (including Advanced Apprenticeships)



Sources: DfES ISR/SFR25, ILR/SFR04, LLR/SFR07, ILR/SFR09, ILR/SFR10.

#### *New approaches to apprenticeships*

Whilst 47 per cent of apprentices starting training are female and the number of women apprentices has steadily increased (particularly as more Apprenticeships have been offered in non-traditional areas), some major gender imbalances remain in different occupations. There is also a serious under-representation of black and minority ethnic (BME) groups participating in Apprenticeships. DfES is working with the Equal Opportunities Commission (EOC), the LSC and sector bodies to develop an Apprenticeship system that is better able to support atypical recruits by improving information, broadening choice and exploring more flexible Apprenticeship learning opportunities. This includes:

- new entry arrangements on to Apprenticeships to ensure young people have the right skills before finding an employer;
- Young Apprenticeships introduced in 2004 for 14 to 16 year old learners at Key Stage 4;
- trialling Apprenticeships for adult entry at Level 3 and Higher Apprenticeships at Level 4; and
- developing a new Apprenticeship entitlement from 2013 for all school leavers who meet the entry criteria (in line with the 14–19 Diploma entitlement).

Over 130,000 employers already offer Apprenticeships. Measures to generate further places include developing new frameworks in sectors where they do not currently exist, working with group training associations to engage more small employers and additional marketing activity. Key to that will be the work of the new Apprenticeship Ambassador Network launched in 2006 led by Sir Roy Gardner. This new group

<sup>21</sup> An employer-led Apprenticeship Task Force worked to encourage a higher level of employer commitment to Apprenticeships and to further increase awareness and take-up. It published its final report in July 2005.

of influential employers will aim to increase take-up of Apprenticeships, particularly in sectors with poor penetration; and to provide feedback to Government on issues which affect the quality and effectiveness of Apprenticeships.

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

The evidence relating to training provision for young people is set out in the responses to questions 6, 7 and 8. For more detailed information on our training policies and delivery plans, see the 14–19 Education and Skills White Paper and the 14–19 Education and Skills Implementation Plan.

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

There is a strong rationale for raising the participation of young people in education or training. Young people who leave secondary school at 16 with no or low qualifications are particularly vulnerable in the labour market, with generally poor employment, earning and training prospects. Therefore if young people are to enter employment, this needs to be accompanied by appropriate part-time education or training opportunities such as Apprenticeships or Employer Funded Training (EFT). For this group leaving full-time education we need to ensure they have already mastered the basics, to provide a platform for employability and future progression. The new Diplomas will lock into all qualification routes (General Diplomas, Specialised Diplomas or Apprenticeships) functional skills in English, Maths and ICT. Therefore the best way to promote employability and productivity for young people is through the qualifications and curriculum reforms discussed in previous questions and set out in detail in the 14–19 Education and Skills White Paper and the 14–19 Education and Skills Implementation Plan.

However, the UK's poor track record of encouraging young people to participate post-16 means we have a long tail of adults with low or no skills. Over one quarter of all employees, around 6.3 million people, have less than a Level 2 qualification and almost two million employees have no qualifications at all. Around 1.7 million people are unemployed on the International Labour Organisation (ILO) definition. Of these, around 300,000 have no qualifications and almost one half (750,000) have less than a Level 2. Among the 7.8 million economically inactive in the working age UK population, almost one third, 2.2 million people, have no qualifications at all and almost one half, 3.7 million people, lack at least a Level 2.

Training will be necessary to help move some of the low-qualified and low-skilled group into work. We need to develop better ways of identifying those for whom a lack of skills or qualifications is a barrier preventing them from moving into good quality, sustainable work and refer them to information and advice services or suitable training provision.

The best improvement in earnings and productivity occurs when qualifications are gained in the workplace. Consequently, there should be an increased emphasis for public funds on well-designed training for the low qualified who are in work and to enable the non-employed to continue their training when they move into work. We need to build on and develop the best aspects of past programmes such as: developing strong links with employers; a clear work focus; use of employer placements; and support which is tailored to meet individual needs.

However, the evidence is clear that low-qualified and low-skilled people are much less likely to receive training from their employers. Unqualified people are more concentrated in occupations with the lowest incidence of training. People with qualifications below level 2 are least likely to be offered employer provided training.

Training is also good for longer term outcomes and provides opportunities for progression. Also, there are some instances where training has substantially improved employment chances. For example, the evaluation of Training for Work (TfW)<sup>22</sup> found that participants were more likely than non-participants to move into employment, increasing the chances of employment by as much as 10–15 percentage points. Over a 17 month period after leaving TfW, participants spent an extra one month in seven in work, on average, compared to what would have been expected had they not gone on the programme.<sup>23</sup> However, the jobs low-skilled people enter (either through employment or education focused programmes) are typically low-paid and provide few prospects for progression and training.

<sup>22</sup> *Work-based training and job prospects for the unemployed: An evaluation of training for work* DfEE 1999.

<sup>23</sup> Payne J, Payne C, Lissenburgh S and Range M, *Work-Based Training and Job Prospects for the Unemployed: An Evaluation of Training for Work* DfEE 1999.

Train to Gain is a major new service that will raise skills levels and the quality of training across England. Delivering high quality flexible training for employers is key to the success of Train to Gain and is therefore important to the continued success of training providers. It commenced in the 20 Learning Skills Council (LSC) areas covered by the former Employer Training Pilots (ETPs) from April 2006, and reached full coverage across England in August 2006. Full operational capacity will be reached at the end of 2007–08.

## Annex 2

### OUTLINING THE BENEFITS OF LEARNING

#### *Wage returns*

A common way to express the benefits of an investment in education is in the effect this has on an individual's wage. This is based on Human Capital theory, and the idea that an investment in education will increase the value of an individual's output in the workplace. In a perfectly competitive labour market, an employer will increase the wage of the individual to reflect fully this increase in productivity. This means we can use the increases in wages associated with higher qualifications to proxy for productivity increases.<sup>24</sup>

In general the returns to higher level qualifications are very substantial and generally exceed those to lower level qualifications (with the exception of five or more GCSEs graded A\* to C with returns of 24 per cent to 28 per cent). The returns to academic qualifications tend to be higher than vocational qualifications at the same level.

#### WAGE RETURNS TO QUALIFICATIONS

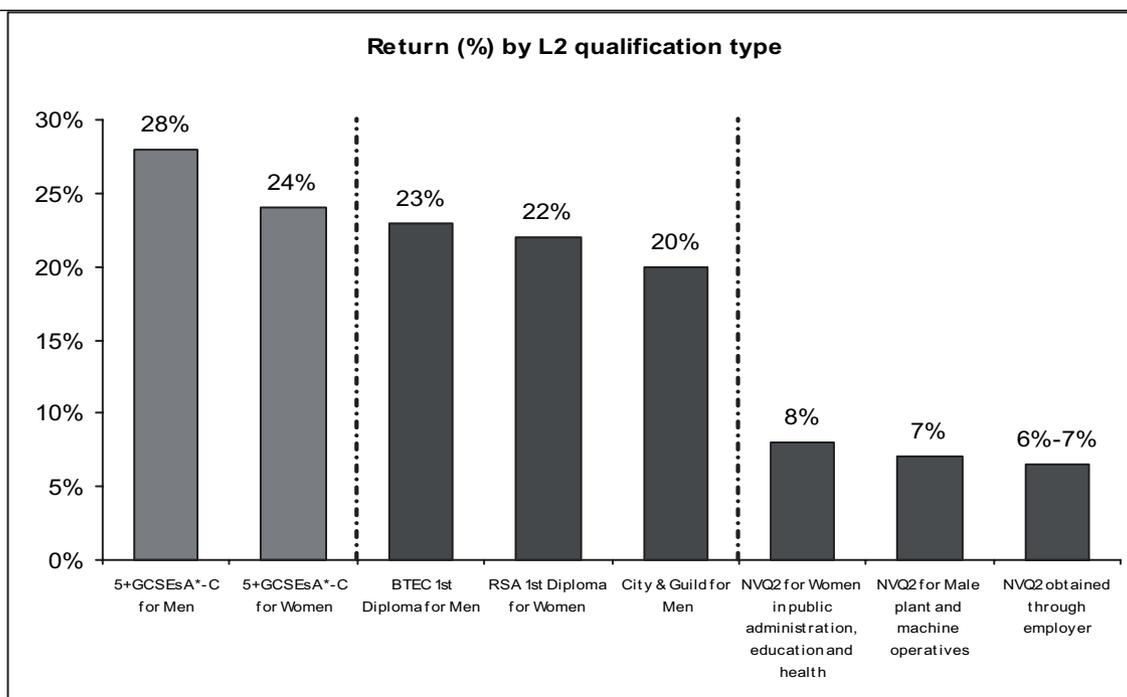
<i>Qualification Type</i>	<i>Level</i>	<i>Men</i>	<i>Women</i>
<b>Academic</b>			
Higher Degree	5	0.13**	0.18**
First Degree	4	0.29**	0.26**
2+ A-levels	3	0.15**	0.15**
1 A-level	2	0.04**	0.09**
5+ GCSEs A*-C	2	0.28**	0.24**
<b>Vocational</b>			
HND/HNC	4	0.14**	0.07**
NVQ 3–5	3–5	0.02*	0.02*
City and Guilds	3	0.04**	–0.02
Advanced Craft			
ONC/OND	3	0.07**	0.05**

\*\* significant at 1 per cent level; \* significant at 5 per cent level.

*Source:* McIntosh, S (2004) "Further Analysis of the Returns to Academic and Vocational Qualifications", CEE Discussion Paper 35.

Whilst it can be difficult to establish positive wage returns to academic and vocational qualifications at Levels 1 and 2, in a number of cases positive wage returns have been found. For example, there are robust returns to NVQ2 qualifications for individuals with no other qualifications when acquired acquire in certain sectors (8 per cent returns for women in public administration, education and health; 7 per cent for male plant and machine operatives) or when delivered through the employer. There are even better returns in excess of 20 per cent for some of the more traditional Level 2 vocational qualifications—for example men with no other qualifications who achieve BTEC First Diplomas or City and Guilds Craft qualifications, or women who attain RSA Diplomas.

<sup>24</sup> However, using wage returns to proxy for productivity gains is not perfect. Returns estimates do not generally account for labour or product market characteristics eg concentration of industry; degree of unionisation; skills profiles of workers within industry; degree of product market competition, etc. All these factors could affect the wages paid to an individual, and in some cases allow a wage to be paid below the perfect market rate. This means that in practice, returns estimates will reflect private wage gains to individuals—not productivity gains to society, as the employer may be able to keep some of the increased production associated with higher human capital. Returns are generally averaged across all who achieve a qualification—in reality they will vary between individuals and may not represent what those without the qualification could expect to earn eg marginal learner.



L2 academic returns: McIntosh, S (2004) "Further Analysis of the Returns to Academic and Vocational Qualifications", CEE Discussion Paper 35. Returns are relative to individuals without that particular qualification.

L2 vocational returns: Dearden, L, McGranahan, M and Sianesi, B (2004) "An In-depth Analysis of the Returns to National Qualifications Obtained at Level 2", CEE Discussion Paper No 46. Returns are relative to unqualified individuals.

EMPLOYMENT RETURNS

It is important that when considering the economic benefit of qualifications, employment effects are accounted for. Whilst a qualification may have a negligible effect on earnings, it can increase the expected lifetime productivity of an individual by increasing the likelihood of being employed.

In general the probability of employment rises with the level of qualification attained and the employment effects are stronger for women than for men.

EMPLOYMENT RETURNS (IE MARGINAL EFFECTS) TO QUALIFICATIONS

Qualification Type	Level	Men	Women
Academic			
First Degree	4	0.16	0.27
A-levels	3	0.12	0.20
5+ GCSEs A*-C	2	0.13	0.20
Vocational			
NVQ level 4	4	0.14	0.25
NVQ level 3	3	0.14	0.23
NVQ level 2	2	0.11	0.20
NVQ level 1	1	0.10	0.15

Source: Dearden et al "The Returns to Academic, Vocational and Basic Skills in Britain" (2000) Skills Task Force Research Paper 20.

## WIDER BENEFITS

As well as the more straightforward wage and employment benefits of education, there are also other, wider benefits that are associated with higher qualification levels.

These wider benefits are often harder to isolate, quantify and attribute to specific qualification levels than financial benefits, but provide a clear incentive to investment in education. Indeed, the external nature of some of these benefits means that they are one argument for government intervention in skills formation.

**Table 7**

### SELECTED EVIDENCE ON THE WIDER BENEFITS OF LEARNING

#### Improved **Health benefits.**

##### Reduced likelihood of **depression.**

Moving from no qualifications to L1 for women reduces likelihood of depression by 6 per cent to 10 per cent points—the effects are weaker for men [Feinstein, 2002].

Graduates are between 35 per cent (women) and 55 per cent (men) less likely to be depressed compared to a similar individual educated to L2 or below [Bynner *et al*, 2003].

##### Reduced likelihood **obesity.**

Moving from no qualifications to L1 for men reduces likelihood of obesity by 5 per cent to 7 per cent points.

Graduates have 3 per cent lower Body Mass Index on average compared to similar individual educated to L2 or below [Bynner *et al*, 2003].

##### Increased likelihood giving up **smoking.**

Individuals educated to L2 or below are 75 per cent more likely to be smoker age 30 compared to similar individual educated to degree level or higher [Bynner *et al*, 2003].

##### Improved take-up **preventative health care.**

Women with L2 or above qualifications have higher probability of having 3+ cervical screenings in 11 years than women with <L2 qualifications [Sabates and Feinstein, 2004].

##### Protection against **cognitive decline** in old age.

Learning in old age can be instrumental in preventing intellectual decline [Pearce, 1991].

Longer periods formal education protects against Alzheimer's disease [Breitner *et al*, 1999].

##### Reduced **Crime benefits.**

1 per cent point increase in proportion of working age population with O level or equivalent qualifications reduces costs of crime by £10 million to £320 million, through its effects on wages [Feinstein, 2002].

#### Wider **Social Capital benefits.**

##### Improved **racial tolerance** and attitudes towards authority.

Taking one or two adult courses as opposed to none substantially raised racial tolerance [Feinstein, 2003]. This is in line with the work by Preston and Feinstein [2004].

##### Increased **political interest** and voting behaviour [Feinstein, 2003].

This finding is also supported by Preston and Feinstein [2004], alongside a large number of international studies.

##### Increased **membership** of community organisations.

Taking one or two courses as opposed to none raised proportion of adults who increased their number of memberships by 3 per cent [Feinstein, 2003].

Supported by wide range of international literature which finds more educated individuals tend to join more voluntary associations.

For a group to raise money for deaf children [Schuller, 2002].

### Improved Social Cohesion.

A cross-sectional analysis of 15 economically advanced democracies for 1996 investigated the relationship between the distribution of educational outcomes and societal cohesion [Green *et al.*, 2003]. Excluding outliers the analysis found that whilst there is no significant relationship between mean levels of education in a society and levels of trust or tolerance (taken to be indicators of cohesion), there *is* a negative and significant correlation between societal cohesion and education inequality. That is, the *distribution* of educational attainment may be important in terms of societal cohesion, rather than the mean *level* of educational attainment.

4 January 2007

### Examination of Witnesses

Witnesses: RT HON ALAN JOHNSON, a Member of the House of Commons, Secretary of State for Education and Skills, and MR JON COLES, Director of 14–19 Reform, Department for Education and Skills, examined.

**Q331 Chairman:** Good afternoon, Secretary of State, it is very kind of you to come and help us with our inquiry. You know the line of questioning we will come on to, more or less, but I wonder whether you would like to say something to get us started?

*Alan Johnson:* Just briefly, if I may. Firstly, it is a great pleasure to be here with my Director of 14–19 Reform, Jon Coles. The DfES has five priorities around which all our work is organised. They are: closing the gap in educational attainment between those from disadvantaged backgrounds and their peers; continuing to raise standards for all across the education system; increasing the proportion of young people staying on in education or training beyond the age of 16; reducing the number of young people on a path to failure in adult life; and closing the skills gap at all levels, from basic literacy and numeracy right through to postgraduate research, to keep pace with the challenge of globalisation. Our policies for increasing the skills, employability and productivity of young people aged 14–25 is absolutely central to this strategy. We know that good education is the key to better life chances, a route out of poverty and into better opportunities. Improving levels of education and skill not only delivers benefits to the individual but to the community, the economy and wider society. We know that the current system is still not focusing sufficiently on those skills that will help young people to succeed and contribute fully to the economy, and that too many people are leaving the education and training system having failed to develop a foundation in the right skills or the qualifications they need for the future. We are doing a great deal to resolve these historic failures: revising and personalising the curriculum at Key Stage 3; focusing on the key skills of English, Maths and ICT; ensuring GCSEs, A-levels and the new Diplomas help to develop the skills sought by higher education and employers; expanding apprenticeships; ensuring every young person is stretched, while providing more financial and educational support for those who need it; supporting local collaboration so that every young person in the community has access to the learning they want; providing free tuition to those

who have not achieved Level 2 or Level 3 by the age of 19; and working closely with employers to give them access to the training they need for their work force. All of these policies are designed to ensure the future success of young people. In addition, we believe that society has to send a clear message to young people and employers that being in work full-time without further educational opportunities at age 16 or 17 is unacceptable. We all have a duty to ensure that young people are able to make the most of their opportunities and we plan to bring forward proposals in the Spring to extend the requirement for all young people to remain in education or training, either full- or part-time, until age 18. Our priority for this Comprehensive Spending Review is the introduction of a national entitlement to an apprenticeship place for all school leavers who meet the entry criteria. These are significant changes which, combined with the policies already being pursued, provide the opportunity to transform education and skills to prepare us for the challenges that Lord Leitch so eloquently set out in his excellent report.

**Q332 Chairman:** Thank you very much. If I may start the questioning, really about the people right at the bottom end, we have heard evidence that around one third of young people below Level 2 at age 16 have such poor basic and social skills that they really are not capable of taking up effectively training and educational opportunities. I wonder if you would like to add anything to that.

*Alan Johnson:* That may have been a figure that has been used to you in some of the evidence. We are puzzled as to where that precise figure comes from. We know that a third of all those coming into Entry to Employment, which is the current foundation level, self-report that they do not have these skills, but as they are actually on a course, and on a course where 46 per cent will succeed, that does not marry up to that statistic. There is no doubt that, whatever the statistics, we need to ensure that those youngsters are given the opportunity to advance and if they are not at a stage yet to take on an apprenticeship and they

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are not at a stage to get to Level 2 and even to get on to the rung to get to Level 1, we need to have a very good foundation tier there to assist them. We think Entry to Employment has been successful. It has been there since 2004. However, all the evidence is that it is not quite meeting the demand. That is why we are looking at this whole foundation tier with a view to bringing in a new system within the next couple of years.

**Chairman:** That has answered the question without acknowledging the statistic. The statistic actually came from OFSTED, who said to us that 15 per cent of all school leavers were in this category and, as 50 per cent of school leavers leave school at 16, the 30 per cent comes from doubling the 15. But your answer was still an answer even without the statistic.

**Q333 Lord Layard:** In 2001 the Council's Committee recommended that more people should be taken on directly by employers rather than being routed to the employer through a training provider but there does not seem to have been much change, as far as we know, in the proportion who are actually being taken on directly by employers. It would be good to know whether you think that is desirable and whether we ought not to be aiming at a system where the normal funding route was through the employer or through local employer training organisations rather than through training providers.

**Alan Johnson:** There is the facility to have direct contract but the evidence that comes to us, particularly from small employers, is that they actually prefer either to contract through a provider or to go through group training associates or to go through another route such as a national contract which would be handed to a particular industry or a particular sector. So we think it is right to have a variety of measures there and, whilst the Cassells report was very important, not least because of the idea that I mentioned that we are seeking to get from the CSR to a guaranteed apprenticeship—and the pamphlet that I read written by one Lord Layard certainly inspired me to go down this route—but on that particular point about direct contracting for apprenticeships, we just do not get the demand from employers that having that one route or expanding that one route would actually help us. In fact, for small businesses all the suggestions are that it might well hinder us in getting them to sign up to apprenticeships.

**Q334 Lord Layard:** You do not think that is the source of some of our problems, the low completion rates, the lack of commitment, that employers are not as fully engaged as we would like them to be and as fully responsible as we would like them to be?

**Alan Johnson:** If you saw the *Education Guardian* today, there is a very good report about completion rates. Perhaps we will come on to that separately. Things are going in absolutely the right direction on that, and a lot of that is getting rid of the poor provision that was there. No, we need to do more to attract employers, which is why I think one of the most important things we have done recently is set up the Apprenticeship Ambassador network with Sir Roy Gardner, because all the evidence shows that employers are impressed by apprenticeships most when a fellow employer actually convinces them that this is a good thing to do. So we have that, and we have better marketing that we need to do to get more employers engaged. We just do not think the direct contract route is part of the solution to the problem.

**Q335 Lord Paul:** I never like to refer somebody to what they said last year but at the party conference last year you proposed to create guaranteed apprenticeships. Could you say something about how this would work? How would enough places be found?

**Alan Johnson:** The idea, subject to the quite tense negotiations that every Department has to go through under the Comprehensive Spending Review, is in line with the Cassells report, that any youngster who has the entry qualifications, who has the right standard—if they have not, incidentally, there is a pre-apprenticeship course we plan to give to bring them to that standard—and they want to work on an apprenticeship, we should have that offer guaranteed. We plan to introduce that if we are successful in the CSR in 2013. To give us plenty of time to build up to that, Leitch said in his recent report that we ought to have 500,000 apprenticeships. We are up to about 250,000 now from 75,000 10 years ago. We realise we are setting a challenge for ourselves. It would also come in at just the time when all the Diplomas would be on stream as well, and if we do decide to lift the education participation age, that would be the first to year it got up from 16 to 17, and then from 17 to 18 in 2015. So it is part of a co-ordinated plan to offer more exciting and inspirational avenues for youngsters to take. Apprenticeships are demand-led now, and we believe we can build the demand from employers by 2013 to make that a reality.

**Q336 Lord Vallance of Tummel:** Secretary of State, you mentioned earlier on completion rates for apprenticeships. Whilst acknowledging that there has been improvement, there is still quite a long way to go, particularly with the Advanced apprenticeship, which has about a 50 per cent completion rate at the moment. I wondered if you could let us know what policies the Government has in hand to further improve completion rates. A linked question: is there

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a case for extending the length of apprenticeships to improve standards and quality?

*Alan Johnson:* The report today shows that we are almost at 60 per cent—to be precise, 59 per cent—completion rate, from 24 per cent in 2001–02. This is significant and, historically, we have always had a low completion rate for apprenticeships. Some of it is for good reason—perhaps not such good reason. They are not dropping out of employment; they are sometimes staying with the same employer but they drop out of the apprenticeship. The European Union average is 65 per cent. The Valhalla that we are aiming for is Germany, which has a 70 per cent rate, and whereas in 2001–02 we were at 24 per cent and it was just a distant dream, now we can see that within reach. The reason why that has happened is, as I mentioned earlier, that we have got rid of poor providers, and that was a big part of the problem; there was not enough quality there to keep youngsters in the apprenticeship throughout its duration. We could talk about lots of other things we can do but that basically is the key to it, and it is since that poor provision was replaced by more expert provision and the Learning and Skills Council took a much more Draconian approach to which apprenticeships they would fund, that we have seen this and, if it keeps going at this level, and every indication is that it will, we will have solved this problem of low participation that has dogged us for many years. On the issue about whether we should extend the length of an apprenticeship, I am interested in looking at that. It is not something that has particularly been to the forefront of my thinking on this issue so far but I think it is an interesting area that we could look at, particularly when looking to 2013 and hopefully guaranteed apprenticeship places.

**Q337 Lord Macdonald of Tradeston:** First of all, I would like to thank you, Secretary of State, for this memorandum that came from your Department. It is very clear and comprehensive. I found particularly useful all these comparative tables about UK performance against other countries. I just wondered if our performance might be improved. If you take the research which shows that some employers do not allow apprentices much time or indeed no time for off the job training, if we brought in some statutory underpinning of the apprenticeship contract, would that help push us up the league table and improve our performance?

*Alan Johnson:* I do not think so. Off-the-job training is an essential part of the apprenticeship contract. They have to go through a very rigorous process to get the funding for an apprenticeship. If off-the-job training is being affected in any way, or reduced or changed, there must be a reason for that and that reason must be acceptable to the Sector Skills Council and to the

approving bodies. I do not think that is the issue. I think the issue as to why we do not stand such good comparison with other countries is, firstly, because apprenticeships dipped away, almost disappeared off the radar screen, whereas other countries were still investing in them, and secondly, because the quality of our apprenticeships was not so good and we did not spend enough time and enough energy marketing apprenticeships and convincing young people that it was the route that they should take. I do not know whether Jon wants to say anything in addition about the off-the-job training but that is not a problem to us if it has been accredited by the Sector Skills Council and there is a particular reason why they have made a change to that.

*Mr Coles:* The key thing is that the framework addresses the needs of the business and the sector and if the Sector Skills Council has approved a framework which allows completion in those circumstances, I think our starting point would be that therefore it is meeting the needs of that sector and it complies with our national standards.

**Q338 Lord Kingsdown:** You said something earlier on, Secretary of State, that struck me very forcefully. You said that apprenticeships are demand-led. In other words, there are more people seeking apprenticeships maybe than we are providing. Is that really the case? One or two of us have in the back of our minds the picture of the ill-qualified young who cannot be inspired to undertake anything. Is it really so that apprenticeships are demand-led?

*Alan Johnson:* They are demand-led in the sense that it is not us pushing the supply on to reluctant employers. We create the number of apprenticeships to match what the Sector Skills Councils tell us is the demand in business. That is not to say that you are not right about some young people. This is one of the problems I pointed out in my earlier remarks. We still do not have it quite right for that group of youngsters that do not go into an apprenticeship or try to get into an apprenticeship and do not even have the level of skills necessary to start the programme, which means it is unwise to take them on because they will only add to the bad completion rates that we used to have. I am not saying that is not an issue but apprenticeships are genuinely demand-led. Lord Leitch is trying very hard in his report to make all of our skills demand-led. This is one area where we are quite happy and content that it is demand-led at the moment.

**Q339 Lord Lawson of Blaby:** You mentioned in your opening remarks your proposal to make it compulsory for every 16-year-old either to stay in full-time education till 18 or to go on to a training scheme. First, would you not agree that, however well-intentioned—and I accept it is—many people will feel that is a fundamental infringement of

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individual liberty and really not something we should be doing on that score? But even if you do not accept that, do you not think that there is a concern that youngsters of that age, who are not children, if they are forced either to stay at school or to go into a training scheme against their will—if you motivate them to do it voluntarily, excellent—but if you are forcing them to do it against their will, if they are poorly motivated, not only will they gain very little from the process, whether it is school or a training scheme, but they will actually in many cases be a disruptive element, making it much harder for those who are motivated and want to benefit from either school or a training scheme to get the benefit they might do? What research have you done to reassure me that there is no concern on those grounds?

*Alan Johnson:* There is concern on those grounds. I accept that is a genuine concern. How we have come to this, is a route that leads from Stanley Baldwin through the Butler Act. It has actually been part of legislation from 1918; it was repeated in the 1944 Butler Act. I do not accept the human rights argument. People were used to seeing 14-year-olds out in the work place without any training or education before Butler lifted the school leaving age to 15, and then said it should move to 16 as soon as possible—that took 27 years—and also said it should move to 18, either full or part-time, as soon as is practicable. So this is an idea that has been around for a long time. But you are right. Our aim has been and still is to inspire youngsters to stay on, to give them the opportunities, which is why the expansion of apprenticeships is important, which is why the 14–19 agenda is important, which is why the introduction of Diplomas is crucial. We are saying they can be out in the work place but with accredited training at age 16 and 17, which is different from the ideas that perhaps were around 40 or 50 years ago. We have a PSA target to get to 90 per cent by 2015. As I said in my opening remarks, what kind of message are we sending out? Belgium has a school leaving age of 18, the Netherlands is switching to a school leaving age of 18, Toronto is just one of the regions in Canada that is moving to an education leaving age of 18. All of these countries are looking at the world of work and the worlds of skills and education in 2020, and seeing, as Lord Leitch has told us, that the number of unqualified jobs is going to go down, in our case from 3.6 million to just 600,000—it must have been about 8 million when I left school in the Sixties. How do we prepare for that world? It is a mixed message we send out to youngsters. We say we want them to stay in education, we say that the GCSE is not a school leaving certificate, it is a route on the way, and yet we allow them to be out in the work place without any education, without any training, to disappear completely off the radar screen. We think we should have this debate. It is a Green

Paper we will be publishing in a couple of weeks and we will have a debate around these very understandable concerns but we think, with the right combination of offers, that if we get apprenticeships right in particular, and if we get the Diplomas right, which is revolutionary, that we can motivate and inspire young people to stay on, that there will not be too many reluctant people in education. But they are not sitting behind a desk studying *Romeo and Juliet*. I am not saying we have to do that. We have to get that message across to young people.

*Mr Coles:* Can I just add one thing on the point about research? There is precisely one piece of quantitative research that we know about in relation to the impact on attainment of raising the leaving age. It was when in 1997 the leaving age was changed very slightly from the position where young people born in the first half of the academic year could leave at Easter to the requirement that everybody across the academic year would have to stay until the end of that academic year. There is one piece of academic research that we know of which has quantitatively examined the impact of that on attainment and on the group who were compelled, though of course once you have changed the legal age it is impossible to identify who the people are who are compelled. That has found actually robustly that there is a positive impact on achievement from that change and from making people stay on longer. It is not a perfect analogue with this proposition but that is the one piece of research we have from, as it were, a natural experiment in raising the leaving age from the recent past in this country.

**Q340 Lord Turner of Ecchinswell:** Can I ask a question, which is about the relationship between the levers you are trying to pull and the objectives. Obviously, a key concern at the moment is that we have about 24 per cent of 17-year-olds not in either education or work place learning and you want to drive that down to 10 per cent by 2015. There are two categories. There are those NEETs, not in education, employment or training, and there are those in jobs without training. What is concerning on the NEET group is that it is trending upwards slightly, for reasons I do not know if we well understand, but I would be interested if you have an explanation over the last few years. Is it your belief that the new promise of an entitlement to an apprenticeship will attack both of those groups? Will it lead to a new form of training for people who are already in some form of training, will it address the issue of those in jobs without training, or will it address the issue of those who are not in any education, training or employment at all? Which groups do you think that that particular initiative is most likely to have an influence on?

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*Alan Johnson:* I think that particular initiative on its own, leaving aside Diplomas, leaving aside everything else, will have an effect predominantly on those who drop out but go into work without training. I think the NEETs is a bit of a mystery to us. We are doing a lot of research. We have a project going on where we are spending £60 million to track every one of these down, knock on their door and offer inducements to come back into training. We know that some of it is gap year. The gap year is not just a higher education phenomenon now. We know some of it is illness and some of it is people looking after elderly relatives, or whatever, with a caring responsibility. We know that this is not a static group, that only one per cent will be NEET for the whole of those three years between 16 and 18, and we have lots of other information about this. The increase up to 11 per cent has to be seen against a participation rate improvement that takes us up to 20th in the OECD. There was only Greece, Mexico and Turkey below us when I was last in this Department three years ago. I come back and find us moving up. The Education Maintenance Allowance has helped us to do that. So there has been a 4.5 per cent increase in the participation rate and yet NEETs has gone up by one per cent, which suggests it is those not in employment rather than those not in education that is the issue here. I think you invited me to think this through, and an obvious answer, and it comes to us anecdotally, is that migrant labour from Eastern Europe has affected the ability of 16, 17 and 18-year-olds to gain employment and that is why NEETs has gone up from the 10 per cent where it has been stubbornly for 10 years up, to 11 per cent, but the very important analysis from the Bank of England and the Department for Work and Pensions' own analysis suggest that this is not the case. Indeed, the vacancy level has gone up by about 8,000 from 600,000 to 608,000. So we need to know more about this NEETs phenomenon but I think the apprenticeship offer is going to be for those who go into the work force but without any training rather than those who have disappeared off the radar screen.

**Q341 Lord Turner of Ecchinswell:** Can you just explain how Diplomas fit together with this picture on apprenticeships, et cetera? Is this a different route entirely or is it people within apprenticeships who will take Diplomas? What is it that you are trying to achieve with the introduction of this new qualification?

*Alan Johnson:* It is choice and diversity. It is going back to the question of how we inspire youngsters to stay on. We have always had a problem in this country under governments of all persuasions over many years to get this Butler vision in 1944 right. Butler said there should be a whole series of technical

colleges, but vocational education has not been our strength, and the parity of esteem problem where academic qualifications were always seen as infinitely superior to vocational qualifications; this has been a cultural issue. Diplomas arising from the Tomlinson report is that mix of theoretical and practical, the academic and the vocational, that we have lacked in this country for a long time. So, by 2008, we will have an Engineering Diploma on stream, we will have a Construction Diploma, we will have a Creative and Media Diploma, we will have ICT and we will have Health and Social Care Diplomas at three levels: at foundation level, intermediate level and advanced. So, from age 14 onwards, there is the opportunity: there is the GCSE and A-level route there, there is the apprenticeship route and there is the Diploma. Our feeling is that we are going to have a 40 per cent uptake to go down the Diploma route. They are not vocational diplomas; that is why we do not call them that. They are a genuine mix of academic and vocational, as I say. The QCA rightly called it the most radical educational change happening anywhere in the world, and it will be central to this whole idea. In many ways, it is the thing that pieces it all together and makes it work.

**Q342 Chairman:** The Sector Skills Councils are now authorised to drop the Technical Certificate, which was previously mandatory, as I understand it. If they are given this greater power to determine the apprenticeship framework as proposed by Lord Leitch is there a concern that the longer term benefits of training might be sacrificed to short-term needs?

*Alan Johnson:* No, I do not think so. What is happening at the moment, to get your apprenticeship, you have to get your NVQ, you have to have two key skills and you have to have your certificate. To get your apprenticeship without having the Technical Certificate means that the Sector Skills Council, again, going back to an earlier question on a different issue, has to have approved that that is the case. Where it is happening now is in accountancy and in hairdressing. There it has been approved because the precise things you need to get your Technical Certificate are the things you need to get your NVQ, and they are saying this is duplication. It is perfectly acceptable if you get your NVQ that you do not need your Technical Certificate, and that has been signed off by all the various bodies that have to approve it. It is in those two sectors for particular reasons applicable to those sectors and, as we have put businesses and industry at the centre of all this and said, "We want you to mould everything around your needs", we would be foolish and churlish to argue with that. I think Lord Leitch has had some representation on that and seen that actually we might be able to get round some duplication.

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**Q343 Chairman:** So it is duplication, not lowering of standards?

*Alan Johnson:* No, absolutely. In those two areas, accountancy and hairdressing, it is to tackle duplication and there is certainly no hint of it lowering standards, otherwise we would not have approved the apprenticeships.

**Q344 Lord Layard:** I want to ask you about Train to Gain and Individual Learning Accounts. The Leitch report has recommended that that should be the normal method of funding for training. How will it affect apprenticeships? Will it encourage more employers to take responsibility for providing apprenticeships, going back to my previous question?

*Alan Johnson:* It could do, because the whole point of Train to Gain and the reason why it is so exciting is that it is very skilled brokers going to small businesses. The small businesses do not even have to pick up the Yellow Pages. We come to them, the caravan rolls into town, these highly trained, very skilled brokers, with nothing to sell—they do not get paid on the basis of selling a training package—talk to the employer, go round the business and discuss what skills the employer needs, and then come back with a package to meet it. Part of that package could be apprenticeships, and it often is apprenticeships. That is not the only route to apprenticeships because of the school route, obviously, but for those who are out there in the workplace—and LSC have just finished a very important evaluation of adult apprenticeships and as a result we are expanding that to another 8,000 this year—I think it will help to get more apprenticeships and I think it will help to get them in those very companies where we have had the most difficulty, which is small businesses.

**Q345 Lord Layard:** Would the distinction be based on age? Would there still be the apprenticeship system that we are used to up to some age but then directly funded for older people through Train to Gain?

*Alan Johnson:* I am not too sure how the funding would work.

*Mr Coles:* The way we would see it is rather more, at the moment, as has been discussed in previous evidence sessions, there are various routes through which young people may get recruited into an apprenticeship. Some approach a training provider, some go straight to an employer. What Train to Gain will do is go to employers who already have employees and broker training for those employees. So these are not new recruits to business who are taken on as apprenticeships. These are existing employees who are not being trained, who become apprentices as a result of the brokerage. The funding model: as you will know well, we have different funding models for 16–19 versus 19–25 but there is

nothing about Train to Gain which changes the underpinnings of that funding model.

**Q346 Lord Paul:** Very few apprentices while in apprenticeship progress from Level 2 to Level 3. Are you satisfied with that situation and, if not, what measures do you think might increase the numbers progressing from Level 2?

*Alan Johnson:* No, I am not satisfied with that situation. It does vary from sector to sector. In construction, for instance, 40 per cent go from Level 2 to Level 3, compared to ICT, where only 12 per cent go through. We need to see what they are doing right in construction as opposed to what they are doing wrong in ICT, because it is very important that you continue that progression and that Level 2 leads to Level 3. Indeed, we are also dissatisfied with the links into higher education. Despite the success of Foundation Degrees—and it has been hugely successful—you do not particularly see the progression from Level 2 to Level 3 and then through to Level 4. Leitch has a lot to say about that and we will publish our response. We have accepted his recommendations but said that we will publish our action plans to meet it in the summer. So no, we are not satisfied. Yes, I am sure there is much more we can do and I am also sure that some of the sectors themselves have the answer to this by virtue of the disparity between different sectors.

**Q347 Lord Vallance of Tummel:** Employers tell us that they would like to have more young people with good GCSEs getting into apprenticeships; but if they do that, arguably, they lessen their chances of moving on to higher education thereafter. What can the Government do to provide an effective route from apprenticeship into a Foundation Degree?

*Alan Johnson:* I think that is exactly the problem I was just alluding to. We can do much more to ensure that youngsters understand—and this is about careers advice and it is about the quality of information, advice and guidance we give. Once again, Leitch had a lot to say on this. We are looking now to put much more of the Connexions service for youngsters on careers guidance down to local authority level, much closer to where they are, but there should be no occasions when a youngster takes an irrevocable route, that says “Because I have now embarked on an apprenticeship, that is me; the world of academia is never going to be for me.” If they do that at age 16 and suddenly have this thirst for learning and knowledge and want to get into higher education when they are 19 or 20 or even 30 or 35, they should have the routes there to do it. These routes into higher education are much better in some other countries. We are not very good at that. The Foundation Degree is crucial to providing that stepping stone. It is fine if someone does a

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Foundation Degree for two years; it should be respected in its own right. If they want to add on another year and do a traditional Honours Degree, if they want to move from the apprenticeship to higher education, which is the thrust of your question, it should be made easier for them to do that than it is at the moment. That is one of the really difficult issues we need to crack.

**Q348 Lord Macdonald of Tradeston:** We have had evidence, Secretary of State, that apprenticeship together with a vocational qualification leads to higher earnings than a vocational qualification alone. Does that imply that resources for 16–19 year olds should be shifted from full-time vocational education to apprenticeships?

*Alan Johnson:* No, I do not think so, because the route that you go to an FE College and you take a vocational qualification and then you decide to do an apprenticeship should be left open. That is an important route to higher earnings, as the evidence shows. We would not want to close that off, and there is no need to, because we believe we can provide the apprenticeship routes. We are not scratching around for the money to drop other courses to dedicate on apprenticeships. In fact, the apprenticeships are a very cost-effective route to take, not just in educational terms but for society as well. So no, we have no plans and I do not envisage any plans to drop that very important vocational qualification and then coming to an apprenticeship route.

**Q349 Lord Oakeshott of Seagrove Bay:** Do we have enough information and oversight of apprenticeships to get the improvements in standards and quality that we need?

*Alan Johnson:* I would like to say a straightforward “yes” to that but I guess I ought to hesitate. Given that there was a problem with quality, the quality is getting much better. Would we say it is perfect? No. Are we able to assess that rigorously now? Over to Mr Coles, I think.

*Mr Coles:* I would say that we have had sufficient data and evidence up to now to be able to generate quite significant improvements. The LSC in performance managing work place learning providers has analysed the completion rates and how successful these work place providers are in delivering effective apprenticeships for people to complete and succeed in, and simply stop funding people who are not successful and expand the contracts of those who are. That is a strategy which can continue for some time. I think that at a certain point, and it may not be too far off, there will be a need for us to get much more precise data to continue to drive improvements. I think you have already heard in previous evidence sessions that there are some gaps in the evidence base and the knowledge that we have about the level of

engagement of some employers, particularly in some sectors, and that is something that I think we would want to address because that will help us to drive continued improvement. We have a lot of evidence from a whole range of sources about things like some quite unacceptable equal opportunities issues in some apprenticeship frameworks, where there are less good opportunities for girls than boys in some areas and *vice versa* in other sectors. So again, there is a set of issues that we can address but we need more data to get into some of those issues and to continue driving improvement. At this moment, and for the strategy we have had, we have had sufficient information. I think we can continue to drive improvement on the same basis for some time but, actually, we need to refine that very soon and start to get into the more detailed issues. The truth is, of course, when your absolutely grade one issue is your completion rate is 24 per cent and you need to get it up to an acceptable level, that has to be the focus of your attention, and so it has been. As we get to a much better completion rates, up to 60 per cent, as we are now, that then requires us to refine our strategy and, as you say, to get into some more detailed data and evidence.

**Q350 Lord Oakeshott of Seagrove Bay:** What other measurement do you do? I have heard you say four times you want to refine your strategy and three times to drive improvements but the only number or the only measurement I have heard you talking about is effectively drop-out rates. What else do you have? Do you actually measure whether people at the end of the apprenticeship go into the correct job and how long they stay there? What other measures do you use at the moment?

*Mr Coles:* Yes, we have evidence about completion rates, and completion rates by sector and by line and level. We have evidence about reasons for drop-outs; I think that is to do with people who have completed the NVQ part of the apprenticeship and go into a job, and in some ways that is partial success. We have some evidence about destinations, although that is incomplete.

**Q351 Lord Oakeshott of Seagrove Bay:** That is the key one, is it not? To actually get a job, the right job. You call it destinations if you like; that is what I would call it.

*Mr Coles:* There is that. We have evidence about pay levels, we have evidence about gender and ethnicity, so we have a whole range of pieces of evidence. All of those we can use in different ways but there are gaps as well.

**Q352 Lord Kingsdown:** We have heard a lot of criticism of poor or non-existent careers education and guidance for school leavers. Simple information

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on earnings and career prospects in different occupations, I believe, is not widely available. What steps do you think should be taken to ensure that sound and objective advice and guidance is made available to all school leavers? Can it be done?

*Alan Johnson:* I hope it can be done. There have been two important reviews looking at this over the last three or four years and, as a result of that, we are changing the whole basis of the Connexions service. Connexions was set up to give advice and guidance to youngsters at school, and the evidence is that it has been too remote. We have held the budget up here. It has been too centralised, and we should push the whole Connexions service much more forcefully down to local authority level, where they can react to local circumstances. That will take place, I think, over the next couple of years. That is one way to address it. I hope that will bring about improvements, but the general criticism that Leitch

makes, which is about the adult career guidance and the call for a national careers guidance service that is joined up from school level right through to adult level is something we need to consider in considering Leitch's recommendations. I think he is right; it is not an area in which we have covered ourselves in glory in this country, and information, advice and guidance of high quality is crucial if we are to get this education participation age issue right, because otherwise we will have lots of people who, because of an absence of proper guidance, do feel extremely concerned that they are being kept in education when they would rather be elsewhere. That is really the impetus to get this right.

*Chairman:* Secretary of State, we have kept you a minute or two longer than we originally said, but we are most grateful to you and to Mr Coles for coming along and answering our questions in the way that we expected you to do. Thank you very much.

### Examination of Witness

Witness: SIR DIGBY JONES, examined.

**Q353** *Chairman:* Thank you very much for coming. You have been to this Committee before and we are grateful to you for coming again. Do you want to say anything before we start the questioning?

*Sir Digby Jones:* Just to say this is an enormously important subject and thank you for giving me the chance to talk to you.

**Q354** *Chairman:* I wonder if we can start with a nice, general question: what, in your view, are the strengths and weaknesses of this country's apprenticeship provision?

*Sir Digby Jones:* I think the strength, if there is one, is that it is going in the right direction. At last we have rectified the drop in numbers. It is going more in the right direction now than it has been for some 10 years. That I am very pleased about. I am just going to give you one set of figures. In 1988 it was 341,000. It dropped to 174,000 in 1996. It is back up to 215,000 now. It is on its way back. That is probably the only strength. I think there is also probably an understanding by employers that new apprentices are a totally different subject to the old style. What is the weakness of it? What are the weaknesses of the whole country's provision of it? I do not think culturally the country has bought into it. A hypocritical public will always talk about "Why don't we have enough apprentices? Everybody is going to universities and doing degrees that are useless." So the public would say; they are wrong but so they would say. But then when you say to that person "Why doesn't your son or daughter think of an apprenticeship, think of a vocational entrance into the way of work?" It is "Oh, no, my son is going to university." It is everybody else

who can be an apprentice. So there is a cultural, social issue which is a weakness in the system. Secondly, we do have a big drop-out rate. We have a lot of apprentices who do not complete the course. That is a little bit to do with what I have just said. It is also to do with employers who still do not link in sufficiently well with the education system. If employers were better engaged with schools, let alone colleges, so that it would be a natural progression, it would be seen as part of an education system and not something that is completely divorced from it, that would probably help. It is also a weakness.

**Q355** *Lord Layard:* You want more apprenticeships, and if more employers were looking for apprentices there would be more people in apprenticeships. There are people out there, some people, who are not finding the apprenticeships that they want, and if employers really wanted apprentices, they would advertise and do whatever it took. The main issue is how to get employers to provide apprenticeships. We do not exactly go for them, do we? We go for the training providers and let the training providers do the donkey work in trying to find the employer, but supposing that the Learning and Skills Council really offered all the money in a very visible way to employers, do you think that would make a difference?

*Sir Digby Jones:* That obviously would help. Of course, it would make a difference. I think you are being, with respect, a little bit simplistic in saying it is just employers who are not going out and finding them. Increasingly, I am concluding that age 16 has become something of a Clapham Junction of

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education, where everything has to change and it is all up for grabs at 16. That is not true any more. Many a 14-year-old, frankly, has outgrown school. The world has changed. They should be in the discipline of training. They should certainly be in the culture of improvement, but a full-time scholastic environment at 14 for many people is no longer suitable, and there are others, of course, of 18, 21, for whom it is perfectly suitable. There is a cultural shift needed at 16. Secondly, still too many teachers—although I have seen a big improvement in what I am about to say over the last seven years—so many of them still do not get it that the employer is the customer of the education system. Whether they are a public or private sector employer, they are the customer; they are taking a product out of the education system, which should be employable. It is not just about read, write and count, which is still just appalling in our schools. What is it, half the children who take a GCSE this summer will not get Grade C or above in English or Maths? They are the ones who take it. So the education system is not producing people fit for the world of work, whatever type of work that may be. Also—I wish they were not called this, but the soft skills: communication, look people in the eye, turn up to work on time, turn up to work at all, perhaps being able to understand you have to be smart and tidy, you have to have an ethic of being in the workplace. To so many teachers that is anathema. It is completely not what they feel they should be doing, and it is precisely what they should be doing. So although, as I say, it has got better over the years, an absence of preparation for the world of work still exists. So you have a teaching culture which does not see their primary role as producing a product for the world of work; you have employers—and you are right; too many of them are still not engaged with the vocational programme. They do not link in sufficiently with colleges of education. I would put a flag up in favour of the improvement colleges have made. If we had been having this conversation five or six years ago, too many colleges were saying, “This is what we do, take it or leave it.” Now, the vast majority are going in and saying, “What would you like? We will help you provide it,” and that is good stuff. Also, yes, I think too many employers not only just do not know but there are other hurdles which they see that deter them from embarking on providing an apprenticeship. One is health and safety, the whole thought police attitude to a young person in a working environment. Whilst obviously people would say, “Well, you need health and safety legislation, you need it rigorously enforced”, of course you do; but if you have got a small business, he or she will probably say, “If I have got to go to all this trouble I am not bothering”. We do not make it easy for a small business employer; we do for the big employers because they have got big

programmes and departments that run their apprenticeship programme, it is put into a professional environment. For the small business that could take on one apprentice a year, frankly it would make it very, very difficult, too much regulation, too many inspections, not sufficient engagement with colleges and schools and the product coming out of the education system into an apprenticeship programme is not equipped and not employable with the basics. If you have not got the basics you cannot craft the vocational skill on to it and so it goes into the too difficult box. You and I could sit here and we both obviously care about this, so we would say, “That is not desirable”, and we have got to say, “You cannot put it in the too difficult box”, I agree, but factually that is a deterrent to taking on an apprentice.

**Q356 Lord Paul:** You have said all the right things about what needs to be done, but can you suggest what can be done to get over this and make more employers, both small and medium enterprises, take on more apprentices? How confident can we be that the restructured Sector Skills Councils proposed in the Leitch Report will be able to make an impact here?

*Sir Digby Jones:* There are two general suggestions and two specific suggestions. Of the two general ones, one would be more of the same. I really do believe it is going in the right direction. After that statistic of dip which I explained earlier on, we are going back in the right direction, not just apprenticeships but the whole concept of vocational training. Bringing in the 14–19 diploma and getting rid of that crossroads at 16 is to be applauded. I think the penny has dropped in our communities where, in the 19th century, employers—it does not have to be just businesses—clustered around transport infrastructure, ports, canals, eventually the railway. In the 20th century, they clustered around the OEMs, the original equipment manufacturers, the big business came to town and they clustered around them. I think in the 21st century it is going to be the whole world of knowledge transfer, knowledge development as we shift the economy to a value-added innovative base, and so you have got universities, colleges and schools taking a higher more visible role in a local community and in our society. There is bags of work to be done yet to get there but it is going in the right direction. I do think teachers are better engaged with the requirement of delivering people for the world of work; the penny is dropping. Eventually we have a Government that has understood it is not just education, education, education, it is training, training, training as well, not substitutional but accreditive. The first general comment is more and more of the same, keep their foot on the gas and keep going. The second general one is we definitely have

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got to ensure that the public sector is seen as an employer and not just a deliverer of service. The three biggest employers of unskilled people in Britain are the local authorities, the National Health Service and the Ministry of Defence, I do not see any businesses there. We have to ensure that the public sector, the Government, set an example in this. For instance, why have they brought in Train to Gain, which is an excellent initiative, then they were talking about businesses signing a pledge to say, "I will engage in Train to Gain"—that is my biggest role as UK skills envoy, to bang that drum and get that committed throughout the country—so the Government said it does not have to be done by the public sector. Well, thanks, if you are a small business in Blackburn or Lancashire, what sort of example does that set? The two specifics are, one, and when I say this people might just think oh, this is too complicated, it cannot be done, but there should not be an employer in the country who has not got some sort of relationship with a local education establishment. It might be a primary school, it might be a secondary, it might be a college or a university. There should not be one employer in the country who cannot say they have got some connection with them and, obviously, the reverse is also true, that every school should have a form of relationship. It cannot be beyond the wit of IT literate people to work out a register or some sort of check as to whether that is happening. We ask people to fill in forms about everything today, so how about one for that? Those are the two general ones. I think if we saw better relationships between those two it would improve. On specifics, far more active use of the supply chain by bigger employers. A good example would be if you take a local school probably buying their greengrocery from a local supplier and the local supplier probably employs four or five people, I bet you that one of the chaps who helps on the truck at five o'clock in the morning at the market and then unloads it round the schools of the locality during the day, is not exactly the type of person who has got huge literacy and numeracy skills. Before that school can buy that greengrocery from that supplier it has to get that supplier to fill in a form, rightly in my view, saying what is your ethnic minority employment policy, have you got equality in your workforce, absolutely right, using the power of the supply chain to get the fairer and more just society working through. Why is there not a line on the form which says, "I like your prices, I like your quality, how do you train your people?" If you really want to pull this off it has all got to be about a threat to the bottom line. You and I know there is a threat to the bottom line. Simply, if you do not have enough skilled people in a changing world, moving up the added-value chain, you are not going to be sufficiently productive, you are not going to be sufficiently competitive and someone else will take

the bottom line anyway. You and I know that but the penny does not drop quickly enough. This would make the penny drop. At the same time, another way of delivering it more quickly, because the country cannot wait, is I think there has got to be some sort of fiscal bribe. It would be rather good, would it not, to see if an employer has got two or three people who cannot read, write and count that if they Train to Gain, if they sign the pledge, if they give up two or three hours of their work time and the employee gives up two or three hours of their private time, the Government is paying for the provision of the college of education to teach and it is done in a very sensitive way, so there is not the bullying and teasing and all of that, would it not be great if that employer delivered people who do feel more equipped to deal with the slings and arrows of a globalised economy, that there was something in it for the small business and to be shared with the employee, some sort of help on the bottom line with tax to the employer and some sort of tax credit to the employee. My Lord, answering you in the roundest way, to me that would be that everybody would be seen to be helping. There should not be a mullah, a vicar, a priest, a rabbi, a community leader, a member of either of these two Houses, a journalist, an employer of the public or private sector or anybody in this country in a position of influence or being able to affect public opinion who does not have this subject at the absolute top of their agenda. We have got seven million adults who cannot read, 11 million adults who cannot add up two, three figure numbers and, frankly, it is a national disgrace. The fifth biggest economy on earth! It should be absolutely at the top of our agenda. If we saw the Government helping, employers doing more and schools better engaged in local communities, I think that would set the best example of all.

**Q357 Lord Vallance of Tummel:** Can we come on to the Sector Skills Councils and whether in your view they have the expertise and the resources and whether they are close enough at the coalface to understand what employers really need by way of skills and then to meet those needs with new frameworks for apprenticeships?

*Sir Digby Jones:* In short, they are going in the right direction but are not good enough yet. As I get around the country I have found the Sector Skills Councils themselves quite a big help to me. They are very, very good at getting the different vested interests in a local community together to discuss the subject. They are a good catalyst for being known in a community and pulling together and they work well with the LSCs. They are not great turf people, they are very good at working with others, which is good to see. There are 25 in the country and over half of them have made really good headway very early on. One of the best ways they did that, of course, was it

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was business-driven from the start, so it was not from on high, “I am from the Ministry and I am here to form a Sector Skills Council”. It was encouraging the businesses to do it for themselves. That is great stuff, it is how it should be done and it was done. One of their problems is they are not getting sufficient purchase on the small business community. The big leaders of Sector Skills Councils are your big employers, but within reason, and a slight generalisation, the big employers do this anyway. How do you get a hook into the small businesses where the real problems lie and, indeed, in the public sector as well? That is an issue for them. They are not doing that well enough. By the way, I sympathise because—unions, CBIs, IODs, chambers, politicians—no-one gets into small businesses easily enough, so I am not singling them out.

**Q358 Lord Macdonald of Tradeston:** I am sure we all agree with you over the need for better basic skills, and you also mentioned the importance of soft skills. But for those who have got problems, perhaps, with formal numeracy and literacy, problems with exams, do you think we could do more to build their self-esteem and give more status and value to those with the emotional intelligence and the social skills which might make them very effective at street level but not in the traditional academic frameworks?

*Sir Digby Jones:* Yes. The question would be how do you pull that off? What you have just described is something an employer can really put to good use. One of the great problems of employers, especially the small ones, is they always say, “They turn up and they might have these certificates but, in my words, they cannot communicate, they cannot do the stuff you just mentioned, they do not have that emotional intelligence”. It is the beef of employers through the decades. Yes is the answer, and if we could big that up, if we could get people to feel that they are equipped by us praising, encouraging and rewarding that, I think you are absolutely right. I do not think it is a substitute for being able to read, write and count, I have to say, but could it be a substitute or at least help people have the confidence to lead to skilling into Level 2 and Level 3? Yes, I really do think you are right. How you would do it, I do not know. It is an easy one for you and me to say, “Yes, of course it is something that is laudable and we should do it”, but it is not something you can examine, it is something you would have experience of and something you would put in a reference, of course. Once you have got them into the first job or, indeed, once they are coming out of a training programme, useful emotional intelligence is certainly something that would go into a reference.

**Q359 Lord Oakeshott of Seagrove Bay:** Are the interests of young people properly safeguarded on apprenticeship programmes or do we need a statutory framework?

*Sir Digby Jones:* I am probably convinced in my own indcision. On the one side, too many small firm employers treat their apprentices as tea-makers and stamp-lickers, and the “I did it, lads, so will you” mentality, which is completely wrong, out of touch and positively to be discouraged. Also, if we are going to ensure that vocational training and, indeed, Train to Gain gets into the DNA of a business and gets into the spirit and culture of a community, the last thing in the world we need is to have it put into an office of somebody who deals with regulation where it is seen as something where you do the minimum, fill the form in and get out of it. We do not want this as something that is “over there”, we want it to be part of us and especially part of the culture of the business or the public sector employer. For those two reasons we do not need a statutory framework. Where someone who is in favour of statutory frameworks would say I am wrong, and I can see some merit in their argument is, firstly, well, at the end of the day, if not enough people do this, how are you going to make them, because the nation cannot wait, we are at five to midnight on this? It is such a shame because we have made such progress in restructuring a shift of the nation to value-added and innovation, and it is such a shame if we do not put the ball in the net. We have got all the tools geared up to do it. We have got an active and successful immigration policy, we do not protect our markets, we do not indulge in tariffs and subsidies, we do all the stuff which global engagement means we can compete, so it would be such a shame. If enough employers do not perform and deliver an apprenticeship programme which is sufficiently good, maybe there should be some sort of framework to make them do it. Also, a lot of small businesses would say, probably not the big ones, “All right, I’ll have a couple of apprentices and I’ll really do it properly. I won’t let them make the tea and lick the stamps, I will do it really well and when it is finished him down the road who treats them appallingly nicks them”. I can say, “Yeah, but if they get a reputation for stealing them and everything else, eventually the word filters out that you’re the good employer, they’ll come and want to work for you, they won’t work for them” and, of course, he will say, “If they’re paying him more than me, pal, they’ll work for him”. I can see where a statutory framework in a regulated environment would prevent that, but you then have the nightmare world of bureaucratic inspection and the clunking fist of government and it is not where wealth creation in the 21st century should be. A very honest answer to you would be, I do not know.

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**Q360 Lord Oakeshott of Seagrove Bay:** You are sounding unusually indecisive, if I may say so. It seems to me, unless I am misunderstanding it, I cannot see how a statutory framework would work unless you are forcing people to take apprenticeships in the first place. Is there not a risk that people are just going to say, "If it is like that, why should we do it?"

*Sir Digby Jones:* "It's too difficult, boss, I am not doing it".

**Lord Oakeshott of Seagrove Bay:** It does not seem to me that it is likely to work.

**Q361 Lord Kingsdown:** What importance do you attach to increasing the numbers on advanced apprenticeship and so building a strong route through to foundation degree? Are any new measures necessary or advisable for this?

*Sir Digby Jones:* Obviously I attach enormous importance to it. It was Lord Macdonald who said, and rightly, he understands how the basic skills and emotional intelligence are important but you have got to move it up all the time, and he is right. So I attach enormous importance to building on the basic skill challenge and getting people to understand that an apprenticeship or another form of vocational training, a diploma—it does not have to be an apprenticeship—is only part of a long journey which is never going to end. I come back to the 16 point, 16 should no longer be seen as some sort of watershed, indeed nor should 21 or 30, frankly. So, yes, we have to attach more importance to it and get the people to understand it in context, get them to contextualise it so they understand it is a pathway on to something else. Where the foundation degree is important is it does provide a bit of a bridge between some form of vocational training or a longer period at school without the daunting prospect of a university education, because for people who are sailing through, and thank heavens we still have a country where so many do and that is good stuff, university education is just something which is automatically going to come along and it is all seen as part of a seamless journey and everything else. To the young people with the challenges of which we are speaking, it is amazingly daunting, they have never known anybody who got to university. To have some sort of foundation degree which is that sort of interregnum, if you like, I think is enormously important and it deserves us to give it more credit. It is becoming increasingly popular. From 2005–06 it is 17 per cent up year-on-year on people taking it up. So that is good news, that is nearly a fifth more, but the target, of course, is 200,000 by 2010 and that is 100 per cent increase in the next three years. It is going to take a big effort to get there and I am not too sure they will meet that, but it worth going for. I think it has got a big role to play.

**Q362 Lord Lawson of Blaby:** May I come back to the start, to the primary school, because you place great emphasis on the scandal that so many of our youngsters in higher education are without basic literacy and basic numeracy and really they should emerge from primary school with basic literacy and basic numeracy. I do not know whether you have any views on why we do come out so badly compared with other European countries on this score, but what do you think should or can be done about it? Obviously, it can be done because other countries do it, and do you think there is anything the Government should be doing that it is not doing?

*Sir Digby Jones:* Statistically, at the moment we have got the most literate and numerate ten-year-olds in Europe. It is all going wrong with those who are not, no-one actually makes progress after that. Indeed, I might be wrong here, I think it was Ruth Kelly when she was Secretary of State, who said they were going to start trying to carry on having basic numeracy and literacy classes in secondary schools, so they do not stop teaching people to read, write and count when they start the other stuff. That might be a statement of the obvious to you and me, my Lord, but I have to tell you, to the teachers it is not. I speak to so many of them who if it is not on the curriculum at 12 they do not teach it anymore. The fact that they are teaching someone geography who cannot spell Himalayas and, therefore, does not engage anymore and then it goes over the top and off they go truanting and suddenly they are troubling Her Majesty, seems to be beyond them. I cannot see how a teacher, who has to believe that he or she is a professional, could possibly let a child go out of school being unable to read, write and count. I see it as the discharge of a professional obligation which is not being fulfilled. To be fair, enough investment has gone in and enough training and oxygenation of this issue has gone in that at the moment we are doing very well on simple basic skills at the end of primary; we lose it after that.

**Q363 Lord Lawson of Blaby:** They get worse after that, do they?

*Sir Digby Jones:* The ones who have not got there do not get any better, that is the point. The ones who by then have got that basic suite of skills, you can build lots on them; the ones who have not, no improvement is made. Where Europe beats us is there is then substantial improvement on the people who have not at 11 or 12, they carry on improving; that is really the difference. I think another thing which primary education should be doing that it is not, and it clearly is not, is if you are going to deliver the next scholastic generation for the world of work, that starts—well, that starts when they come out of the womb, frankly—when they get into school. Primary education should be the basis of that, to get

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somebody to be employable, not necessarily to go and work in a business—there could be so many different things they could do—but to have them employable. Teachers have to start teaching children to understand risk, to understand, exploit and deal with risk instead of telling primary school children risk does not exist. You see the headlines in the papers every day about not doing sack races and egg and spoon races and not playing conkers in the playground and not doing backstroke because you might bang into somebody and all of that. Although the newspapers will always headline the one and they ignore the schools that actively get kids to understand risk, and there are many of them, nevertheless, there is not a culture of saying that has got to happen and getting young primary school children to understand that there are winners in life, to dish out the medals, have sports days, make sure that people get gold medals, are put on podiums and praised instead of saying everybody has got to be a winner. The obligation is—and if you pull this off with what I said earlier about getting businesses, employers, the public sector as well, engaged with primary schools—just because someone has lost there does not mean they are losers in life. It does mean that all of us have to take these people who lost a sports day race when they were nine to a place where they can win. Every kid has got it in them somewhere to win. It is just that we are not finding out where that is and maximising it. You are not going to develop winners out of losers in one thing by telling the winner in the one thing they cannot win. So many teachers are saying, “What we will do is we will not have any winners”. Oh well, that is fine, and we want to win a World Cup, do we?!

**Q364 Lord Turner of Echinswell:** Can I ask a question about the objectives and also the quality of apprenticeships. It has been suggested by your comment that some people still think that if you make a chap who can make the tea and lick the stamps better than that, the trouble is, “I will train them up with this apprenticeship and they will go down the road to another employer”. I think it is really important to focus on what are the objectives and what are the qualities of apprenticeships. It is easy to have this debate in terms of the number of apprenticeship places and completion rates, a quantitative approach, but I would like you to comment upon what you think about the quality of what is going on relative to what we are trying to achieve. With an apprenticeship, you could be simply trying to achieve the person becoming very skilled at a particular job for a particular employer, which would be good for productivity, good for their employment in that job. You could go beyond that and hope that by the time they have done the apprenticeship they are not only good at that

particular job for that particular employer, but they have a wide understanding of the whole sector and, frankly, they are capable of going on to all sorts of different jobs within the sector and to progress within the sector. You could also be aiming to make sure that they are continuing a process of general learning, which having done this apprenticeship might take them back into higher education. How do you see what we should be trying to achieve with apprenticeships, and what do you think is the quality of what happens in apprenticeship training relative to the objectives? Is it narrow or is it as wide as it should be?

*Sir Digby Jones:* In general, I think it is narrow. I am not too sure that is a bad thing either, subject to one thing, but in general I think it is narrow. There are one or two areas where it is much wider. There is a very good apprenticeship programme being run by the Institute of Accountants, for instance, on very elementary accountancy and company secretary work, and it is very wide there because it is all about understanding how a business works, understanding about P&L, cash flow, balance sheets, VAT and all of that stuff. That is very wide and that would equip you for so many different jobs in many different sectors. If you are going to do an apprenticeship to be a plumber, you are not learning to be a carpenter, and if you are going to be an apprentice to understand how to be a mechanic and work in servicing cars, you are probably not going to learn how to be a fitter in a shipyard. They are both generally mechanical but they are totally different, and the other two are obviously on a construction site but they are completely different. I am not too sure that is a bad thing. If by that you mean would it be better—I know you are not asking this but the question generally—for someone to teach them to be a plumber, carpenter, plasterer, brickie and electrician and, therefore, they can work on a building site, I do not think so. Where I do think greater effort could be made, and good employers do this—I was with the construction industry last night discussing this very point with some leaders of various companies, building contractors—is a lot more emphasis on apprenticeships. They are probably at the forefront of apprenticeships and that is where a lot of vocational training takes place—in the construction industry. A lot more effort and energy and quality teaching is going into one, health and safety, absolutely accurate and correctly it should happen; two, the environment, how you build, the process of building, how can that be more economical with the use of energy and the product more environmentally friendly; and then, thirdly, how the job of—pick one—being a plumber links in with the other jobs you do. They were saying to me last night how that has changed a lot in the last two or three years with the good providers of apprenticeship training in the

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construction industry. That is where I think, yes, the person is still learning to be a plumber but they are seeing it more widely as relevant to both the building site and also their position in a community. Is there room for that type of apprenticeship, which is a wider one? Yes, but I would focus it on the one skill of a plumber. I do not think there is room to widen that out. As I say, in certain other areas, especially office life, there probably is.

**Q365 Chairman:** I wonder if I could ask the last question and that is, what action is needed to ensure that good advice and information on apprenticeships is available to all young people in the course of their secondary education?

*Sir Digby Jones:* There are a couple of ideas as to how to do this, but more than anything else get the message across to them early at school. I really do regret the day that I think it was Charles Clarke who said 50 per cent should go to university. He might as well have just said 50 per cent of the country was going to fail, because that was how it was taken. I am not saying that was what he meant but that was how it was taken.

**Q366 Chairman:** The implication is it is not being done well enough at the moment?

*Sir Digby Jones:* No, not at all. We have got to get the message into 11, 12, 13 year olds that there is a fabulous future through various delivery mechanisms, the apprenticeship system, the diploma, conventional education through to sixth form. There are so many ways in which you can derive a fulfilling career through acquiring a skill that will give you good money at the age of 19 and 20. The quicker we get that knowledge into the classroom through the teachers, the quicker we get it into the parents in the community so that they start to encourage the community that this is the way forward. Parents are hugely influential in this and so many of them are ignorant of what is available. So many of them are culturally against it, but that can be worked on. We have got to get the information out. Then, of course, it is no good just telling the teachers they have got to

do that more because that on its own is not good enough. It is no good just getting the parents engaged—it is the community as well, let us have the mail shots, the notice boards, something up in Tesco on a Saturday, why not? In a local community, “Did you know at 14 your kids can start learning to be a plumber?” and that sort of thing. Why not, let us have it down at the checkout at Sainsbury’s. The other part is business, the providers of those apprenticeships, has got to get the message into schools more than they do. They do not engage enough. I said it to one of the guys last night and he said, “Oh well, my local school wasn’t interested”, I said, “You probably rang them up in August!”. They have this sort of inbuilt prejudice of, “Well, they will not be interested in me”, and that goes back to 20 or 30 years of anti as opposed to working together. I would say, more than anything else, get the message in early, and then, as all lobbyists know of any sort, you have got to say it again and again and again until the penny drops. That means using every single way forward, encouraging LSCs, Sector Skills Councils, the local MP, get it on the local television, talk about it on the radio, get your trade union and your learning reps talking about it, not just in the workplace but when they talk to their other union mates who are in other businesses and the public sector, get the public sector completely engaged on apprenticeships. If you have got a parks department with big parks why are all of them not running big horticultural apprenticeships, why not? The example that would set in local communities would be fabulous. Get them early, bang the message home and do not stop.

**Q367 Chairman:** Well done! We will stop now. If I may say, you gave us a very vigorous set of answers to our questions, which was not a surprise to us, but can I say thank you very much for coming, it is much appreciated.

*Sir Digby Jones:* My Lord, it is my pleasure. My Lords, thank you for giving me the chance, I care about it hugely.

**Chairman:** Thank you very much.

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TUESDAY 27 MARCH 2007

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Present	Kingsdown, L Lamont of Lerwick, L Layard, L Macdonald of Tradeston, L Oakeshott of Seagrove Bay, L	Paul, L Sheldon, L Vallance of Tummel, L Wakeham, L (Chairman)
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**Examination of Witness**

Witness: LORD DEARING, a Member of the House, examined.

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**Q368 Chairman:** Thank you very much for coming along and trying to help us with our inquiry. You have been involved in educational matters for as long as I have known you and that is a fair number of years and you always seemed to me to be able to make some pertinent comments which were valuable and helpful so I am sure you will be able to do that for the Committee. I am always told to say to you and to the rest of us in the Committee that we need to speak up and speak slowly so we get an accurate report of what is said. The second thing is to say that you know the general line of the questions and the discussion may go a bit wider than that, but is there anything you would like to say right at the beginning by way of a statement or anything before we start?

*Lord Dearing:* Thank you for your welcome. Perhaps one thing in particular. I cannot recall a time when so much is proposed and intended to change in education as right now. If I may just try to summarise the list, it starts with the 2020 report by Christine Gilbert, the Chief Inspector of Schools, in which she puts the emphasis on personalised learning, rather than everybody learning the same thing and assessment for developmental purposes rather than summative purposes. Then we have the Skills Agenda; Lord Leitch's report; the Government have published so much; their Raising Expectations Green Paper. We have had the development over the last 18 months of these 14 specialised diplomas which are a major, major initiative. We have the new layers of apprenticeship, including the pre-apprenticeship and the young apprenticeship. We have the proposal for the foundation learning tier. We have the September guarantee which comes into place this year. We have flexible programmes for the disaffected from 14 to 16. We have the Qualifications and Curriculum Authority proposals for an emerging framework of qualifications and credits, which is something I should just like to develop a little bit. I was so impressed by a lecture by Dr Ken Boston, who is the Chief Executive of QCA, ten days ago arguing that the creation of this could be one of the tipping points in education, especially skills education, because we have, as he put it, below the waterline a vast amount of learning which is taking place in companies which is not being accredited. He contrasted the £30 billion

a year being spent by companies with the £12 billion a year being spent by government and much of this not accredited. He wants to bring this all into one framework which is comprehensible, which the present one is not; we have about 5,700 accredited qualifications and he said 17,500 not accredited and to bring them into a simple framework with accreditation and transferable credits will be a great contribution.

*The Committee suspended from 3.43pm to 3.50pm for a division in the House.*

The point of referring to all that was twofold: one because I am impressed; and two because it needs to be done well rather than quickly. One great problem in education is enthusiasm and the realisation of the need for change, and sometimes that enthusiasm and commitment take priority over making sure that what is done, is done well. It is such a huge agenda. I recall once saying to the Noble Lord, Lord Skidelsky, who is not here, when I shared a room with him, when discussing an educational issue, that the more that needs to be done, the less you do because if a lot needs doing, concentrate on the few very important things that need to be done well. This is a very large agenda; I agree with it, but it is important to make the point that there is so much at stake it should be got right rather than done quickly.

**Q369 Chairman:** Absolutely. May I put what I guess is the obvious follow-up to that opening? Is there any danger there is confusion because so much is being done at the moment? Is that not a difficulty?

*Lord Dearing:* There is a danger of asking people in a very large, distributed organisation called "education and training" to try to take on too much change at the same time. As long as people are conscious of what is being asked and the scale of it and are conscious of the need to take time over the realisation, all will be well, but it is an important criterion. For example, on the specialised diplomas, when I first heard about them a year ago I was concerned, because the need for these is so urgent, as I saw it, that it is to take from 2008 to 2013 to produce all 14. I am now convinced the Government were right to take that time over

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introducing them, because the challenge to schools and colleges and the organisation of education from 14 to 19 is so great, that it is going to take time to do all this well. It is a very major change. The hope in government is that 30 per cent of pupils will be choosing to take this pathway and it is a radically different pathway from the standard GCSE and A levels. To get the work-oriented learning right and to have it cover what employers want covered and what they think is relevant, takes a lot of effort and time, including skilling the teaching staff to deliver. This can be a major challenge to institutions and organisationally. If I may develop, if there are going to be 14 diplomas, no one school, however large, can hope to deliver. The number a school can deliver is small. Three would be a lot. Therefore, to give opportunities to pupils to approach a much wider repertoire means organisation of the delivery over a clutch of working-together schools or colleges. It means relationships between schools and FE colleges where I imagine a lot of the delivery will have to take place. It means arrangements with firms. This is a very big challenge and it is right that the Government are not rushing it. I have had some very peripheral relationship with it in doing a job on languages over the last three or four months and that brought home to me what a challenge this is for all those involved. That is my preliminary point: much is planned; it is absolutely necessary, but the challenge is immense to get it right.

**Q370 Chairman:** It sounds a bit impertinent of me to ask the first question I am going to ask in view of what you have said, but I wondered whether you could summarise what you consider to be the main strengths and weaknesses of this country's present provision for education and training for the 50 per cent or so of children who do not go to university?

**Lord Dearing:** Yes, this is the area of great challenge because our universities are, without question, world class. Our problem is that if this Committee had been sitting, say, 150 years ago, it would have been addressing the same issue. That is how long we have been lagging behind countries like Germany and France in basic skills for all and in technical knowledge, and here we are today, looking across at Germany and France and contrasting—not only Germany and France but Austria and Switzerland—our low take-up of apprenticeships. At one time, when I was a young person, apprenticeship was well established, honoured and an envied achievement. But we have since been through a period when it lost much of its standing and use, partly linked with a change in the structure of industry, the loss of the old trades; and we have found great difficulty in re-establishing it. I imagine the figures are in the Leitch report, but, from memory, 10 years ago there were only 75,000. Now, by a great effort, we have got

up to 250,000. The Leitch target is 500,000 by 2020. That will be the level, as I recall the figures, that France and Germany are at today. So the weakness has been in this area of applied learning, learning in the workplace on the job, which is highly motivating if it is done well and not used as a source of cheap labour, which it can be. So that is one of the weaknesses. Another weakness is the lack of recognition of achievement below the famous five A\* to Cs, which is basically the group we are talking about, some 50 per cent: 57 per cent roughly get A\* to C but it is 47 per cent if you make it a requirement that maths and English are part of the five. In the league tables, which parents look at, what do they look for? The schools' scores in five A to Cs, and at A level, the number of A level points. Heads are unfortunately required—not required, driven—to maximise these scores. I exaggerate, but they are very often running a competitive business, in competition for pupils you might say; good pupils but pupils. They know that parents are influenced by A\* to C rating tables, which are widely published and read. This is dishonouring, as it were, the achievements of those who are not five A\* to C. Yes, there are tables of points which comprehend them all, but they do not have the same standing. If I may just digress for a moment, the first thing I did in schools education was in 1993 when I was invited by the then Secretary of State to do a rather lightening report on the national curriculum and tests. I recall writing an appendix—it was one of these reports I was let loose to do by myself as the chairman of the curriculum body—and that appendix argued that what schools were about was improving the attainment of children whoever they were, at whatever level, and a valid measure was the value added for every child. So a school can score very highly in value-added tables, even though the children are not A\* or B or C, because they have started at lower levels. The whole purpose of education is to contribute to every child, and our emphasis unfortunately has been predominantly on those who are most likely to succeed. I am saying that one of the incidental forces pushing us in that direction is the emphasis society is putting on a particular performance measure, which is not the best measure; it is an important measure, but not the best measure of the school's achievements. D to G passes, which are Level 1, are not warmly regarded as an achievement; they are regarded as a missed achievement by society, but for a lot of children they can be a major achievement because they are disadvantaged. A third weakness of our provision is its correlation, that is the achievement of a child with social class, as it were, the right parents, the right social background and getting the right support at home, and we have not compensated enough for that. Now it may be hereditary and, of course, like physical characteristics and mental characteristics probably

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reflects what one inherits, but it is more marked here than in other countries. We have a longer tail in education than is characteristic of other countries. The truth is, we need to invest more in these children than in those who have more advantages, whether innate or from family background, and we have not done enough. Fourth, I come to primary schooling for these children. Sure Start is an attempt to recognise that if children from these less advantaged backgrounds are going to have a reasonable chance, we need to do something about socialising them to work with others for an educational purpose through the Early Start scheme. My own judgment is that we are not doing enough yet. I recall a head teacher on a committee of which I was chairman being asked what his three priorities in education were and he said "My first is reading, my second is reading and my third is reading". Unless a child keeps up with his or her fellows in reading, they continually regress in terms of opportunity to learn, compared with the others. The Government, if I remember rightly, have announced a reading recovery programme which I think starts as early as six, and I would argue that at every stage, if need be, there should be a reading recovery programme for our youngsters. It is a disaster to fall behind in reading, because you are thereby incapacitated. Churchill, in his memoirs, has no regrets that he was a duffer at Latin, and was made to stay behind and concentrate on learning English. He says in his memoirs that Latin was for clever boys and an honour; Greek was a treat. He had no regret that they were not for him because of the way he was enabled to concentrate on English. A similar thing might be said about the fundamental importance of basic mathematics. Let me move on. If I may return to overseas practice, I would say there is something the continental countries do quite often which we do not, or at least very rarely I suspect, and that is to say that it is in the interests of this child that he or she takes this year again, perhaps once in a learning lifetime, especially perhaps in the final year of primary. There is a real danger that we lose people, possibly irretrievably—that is an exaggeration but there is some truth in it—when they move from primary to secondary because if they have got behind, they are no longer in an environment where the teacher teaches children. The teachers teach subjects and the children do not have a shepherd, a guardian, a friend who knows them as individuals and teaches them as individuals. They move from a small group where there is an identity and they are a known person, to a very much larger society where they are unknown and there is a serious danger that they lose out. We do not handle this translation from primary to secondary well for children like this and therefore, I would say we need a heavy investment in recovery in the last year of primary and in the first year of secondary for these particular children. What

else can I say? The curriculum. When I started in the schools' world in 1993, the ambition was a broad and balanced curriculum and we talked of a curriculum entitlement, the national curriculum, which had been fought for and for which teachers were prepared to fight. Thank goodness Christine Gilbert, the Chief Inspector to whom I referred, is saying teaching needs to be personal to the child in the sense that we need an opportunity, an increased opportunity, especially in secondary schools, perhaps from year nine when they are 13 particularly, to respond to the needs, aspirations, interests, capabilities of the individual child. One of the good things that is happening through these diplomas is to offer a very different curriculum option, which is much more hands-on, learning what is immediately seen to be relevant and of interest to the child. There is choice. Being concerned about the curriculum for these youngsters, that it should be fit for purpose for them, rather than it being good for all children to do the same, as an entitlement, is a key to wider achievement. Those are areas where we have not served these children particularly well.

**Q371 Lord Macdonald of Tradeston:** I just wondered what in your view is the appropriate balance between full-time and work-based vocational education and training?

*Lord Dearing:* I am not sure I know, but I think that we have a long way to go to get it right. As I have implied already, the orientation has been for full-time education in the classroom and that is not motivating for a very significant proportion of our young people. I mentioned the ambitions in the Leitch report to double the number going into apprenticeships from the present 250,000 to 500,000 by 2020. That is certainly right in my view and, as I understand the figures, it will still leave us behind, as a proportion, Germany and France; Germany's numbers have been falling but it is still about 40 per cent. France is higher. We need to shift the balance progressively. We have been doing it and there is this proposal to have a more flexible curriculum for those who look like becoming disaffected young people from 14. I have a feeling we are starting about a year too late. The dangers of losing them in year nine are very great. We have got ourselves mind-locked into these four stages; they have been there for a long time. At 14 to 16 (Key Stage 4) I tend to think we are starting a year too late to introduce these flexibilities.

**Q372 Lord Layard:** When you think about this balance, how do you think about the feasibility of actually mounting a really high quality vocational education in the classroom with all the equipment in the school in the full-time context?

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*Lord Dearing:* You are absolutely right to raise that. When design and technology was introduced to the school curriculum it was risible, because the kit was not in the classroom and there were not the skills and the teachers. I was thinking essentially of work-based planning rather than school-based learning. There is an immense challenge in raising the number of employers offering apprenticeships; the number at the moment is about 130,000. If we are going to move to the Leitch, we have to increase that number, but it has to be supported, in my view, with learning in the FE college, especially in the basic skills. There is a major issue there but the right way, and I thought the question was mainly aimed at that, is saying we need to shift the balance from essentially full-time education in schools towards employer-based personal development, but with support from the FE college.

**Q373 Lord Kingsdown:** Ought we to have better provision for progression from apprenticeship to foundation degrees? Could universities and others in higher education do more in this respect?

*Lord Dearing:* I have not come across the problem, to be honest; not because there is not a problem, but because I have not hit my toe against it. Frankly, the number of advanced level apprenticeships, as I understand it, at Level 3, is modest. We are not talking about big numbers and I cannot see in principle why there should be a big problem because if they have done the equivalent of two A levels, Level 3, through their apprenticeship, and if the FE college is concentrating on a foundation degree, which is a two-year foundation for a full degree, it should be manageable. I would say that if there is a problem, what about a three-month adaptation, catch-up course? It is not unknown in education to have such a provision, so that should be possible. I should like to go on to say that I have argued for some years that we should have something called a graduate apprenticeship and maybe the foundation degree is going to be something like that. A lot of the foundation degrees are going to be offered very largely in large companies, and some very big retailers. The advantage I see is that for a lot of us to learn in a very relevant work context is motivating; it provides cash to live on and that is very welcome too to young people. I cannot see why someone in a company, having done a Level 3 advanced apprenticeship, should not move on to a sort of sandwich course, graduate apprenticeship, in which they spend part of their time at a college and part in the company, say in the marketing department, if for example they are doing a foundation degree in marketing. So you could move on that way. I certainly think that it is highly desirable that we should find a way of moving on from the advanced apprenticeship to a foundation degree and, indeed

see a whole hierarchy for progression in the apprenticeship, because we have the young apprenticeship, we have the pre-apprenticeship, the standard apprenticeship and the advanced apprenticeship, so why not the graduate apprenticeship or a foundation degree? That is an important building block.

**Q374 Lord Lamont of Lerwick:** This links to what you have just said, but going back to what you said at the very beginning when you said you had not seen a period when so much had been happening and you referred to the layered apprenticeships being introduced, can you just say something about the layered apprenticeship and what it is designed to achieve and whether you think it is achieving it?

*Lord Dearing:* The young apprenticeship is only just starting. The standard apprenticeship is basically for people at Level 2 and it seems to me we have learned much better how to do it because a few years ago, I cannot remember the exact figures but it will give you an indication of it, the drop-out rate was about 75 per cent. We have since progressed from it at a completion rate of 50 per cent and I am told now it is touching 60 per cent and we have the prospect of the 70 or 80 per cent we should be getting. So, in the course of quite a small number of years, unless somebody has been manipulating the figures—and I took part in a debate yesterday about statistics and I do not imply for a moment that these are other than honourable—we have learned better how to do the apprenticeship. The advanced apprenticeship is just one leg up in the skills ladder. You can imagine that if you are in an engineering firmament, the engineering at Level 2 is pretty basic, but at Level 3, you are getting serious and it is the intellectual and technical level of understanding that is raised a level. One of the problems may be, in terms of progression beyond Level 3, to go back to Lord Kingsdown's question, that so many, when they have reached Level 3, think that is it and they have done a good job. Perhaps by that age they are married and have a young family and they want to concentrate on earning money rather than continuing their studies by doing something as demanding as a foundation degree.

**Q375 Lord Vallance of Tummel:** A number of companies in the UK have had a tradition of offering apprenticeships, but how do you think we could encourage far more employers to offer them? Linked to that, do you think the funding for apprenticeships should go directly to the employers or to the middle men as they are at the moment, the training providers?

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*Lord Dearing:* I am now sitting in second-hand clothes because I do not have a lot of direct experience of this. We have a major need to increase the number of good employers doing this. We have many very good firms, some of them so good that they do not call what they do an apprenticeship. I hear that if you have served your time in Sainsbury's or Asda or Tesco or Marks and Spencer, that has a better standing than an NVQ level or an apprenticeship. One of the things we must hope to do is to get, and this goes back to what I said about Ken Boston's proposals, above the waterline recognition as accredited achievements. The problem lies with the small- to medium-sized firms for whom we have an ambassador scheme, but it is still very challenging to get to these firms. The main hope possibly lies with people called "providers". In talking about them I shall address your question about where the money goes for small firms. Inevitably, where there is public money there is bureaucracy, there is much paperwork, and small firms are not in the market for paperwork. I do not see more such firms having a direct relationship with the Learning and Skills Council. I see it being through this provider who does the paperwork and fixes any supporting backup, say in skills, from the FE college. I see the providers as potentially very persuasive, useful, proactively engaged in recruiting and ensuring that the standards of training offered by the small firm are fit for purpose, and that seems to me a major part of the task. I see these providers as marketeers and also funders and fixers of it. Maybe the chambers of commerce, who often have connections with the smaller firms, have a role.

**Q376 Lord Vallance of Tummel:** And should the funding go to the provider?

*Lord Dearing:* With the big firms yes, but for the small firms, because of the bureaucracy involved in taking the funding directly, it is probably better to go through these people called providers who will contract with the Learning and Skills Council to deliver through firms.

**Q377 Lord Vallance of Tummel:** You are quite right of course that small firms are not turned on by bureaucracy and paper. Equally, they are not turned on by doing things for free.

*Lord Dearing:* Absolutely not. No, no, they have to be paid in my view. We have the *Train to Gain* scheme which was introduced in 2006 for the low level, the money going into firms. I would be prepared to pay to get people to do things they would not otherwise do if it costs them; yes, I would. In saying that, I am so conscious that we have a slow-burning crisis in our society. In our bottom 20 per cent achievers in education in particular, but also higher, we are in danger of having a society divided between those who

can play and those who are disabled from engaging fully in society and from earning their living and an increasing, growing danger in terms of tipping points where things change radically. We are progressively moving to an era where the danger of our present level of failure, the five million adults who are functionally illiterate and more like 17 million who do not have decent Level 1 qualification, is very great and we have to pay what is needed to broaden the range of a achievement. I am not talking only of young people; I am talking of people of all ages, because there are many who are going to be increasingly less employable unless we invest in them; certainly the younger people in apprenticeships need financial incentives.

**Q378 Lord Paul:** From what you say and from a lot of evidence we have received about the poor basic and social skills of many school-leavers, they are unfortunately ill-placed to benefit from apprenticeships or any other training. Do you think measures can be taken to remedy this situation?

*Lord Dearing:* I have spoken about reading, writing and arithmetic in schools quite a lot already. In the primary school, fight and fight again to get them kitted to a reasonable level and if need be keep them back a year and then again and again and again offer catch up at secondary. Those skills. When we talk about some of the softer skills like team working, creativity, persistence, it is much more difficult, especially if the school thinks in terms of individuals rather than groups. In the past the Japanese have been very good in school at working in teams, sharing a collective responsibility to each other, the strong helping the less strong and each contributing. We do not have that culture. There was a pathway called the GNVQ, which is now being faded out, which was characterised in part by its being related to the world of work, but also by a different approach to learning. One of the elements was that the young people worked in teams and they learned role-playing in teams. One of the regrets I have about the ending of the GNVQ and its conversion into applied GCSE, or applied A level, is that the learning appears to me to become more academic and less fit for that particular purpose. It does mean that in our schools we have to realise that these skills which do not appear in the league table are very, very important and any employer would rate them very highly. One can adapt learning in schools to team forms of working. I remember when John Major was Prime Minister he was upset about the decline in team games, which is a form of team working which can be translated to the classroom. Also, at our universities, we must get young people to understand how much these things matter. I was chancellor of a university for eight years or thereabouts and it was very interesting to see the different ways in which young people behaved as they

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came onto the platform to receive their degree. A simple thing like how to walk into a room for an interview is an important skill and how to relate to other people. It is not part of the culture of our schools to help children to be good at that but it can be learnt. Some will learn it from families but others do not have that opportunity. We have a cultural problem in not recognising in our schools the importance of this. Then we go back to league tables: there are no marks for these “soft skills” and it is inescapable that head teachers, like all the rest of us, go where the corn is. I am a bit concerned to change our value structure.

**Q379 Lord Paul:** That is true but, on the other hand, the discipline is getting worse and worse and not better.

*Lord Dearing:* Yes, it is. I went to a school sometime back where I was impressed at the way in which the code of behaviour was owned by the pupils; not imposed but collectively owned. I remember sitting in a class and some lad did something or other and the teacher said “You are not following the code. What are you not doing?” and the child knew right away. I believe in the value of schools’ councils and them having a real role and being elected and covering all year groups. I do believe very strongly, for what it is worth, in the pupils owning the behaviour code and understanding its value. An important element in education is understanding why things are done. On the discipline issue, I suspect that part of the problem lies in early educational failure. If a child cannot engage successfully he disengages; he becomes a nuisance and the more he is punished, the more he feels indignant and less inclined to conform. We do have problems about this and I see that Mr Cameron talked yesterday about the importance of parents taking their responsibilities. I agree. I recall vaguely the Third Commandment which is to do with parents.

**Q380 Lord Layard:** What in your view has been the effect of frequent re-organisational changes in policy direction on work-based learning?

*Lord Dearing:* I do not know a lot about it; I know little fragments. I am aware that there have been changes; I can remember about four changes. My recollection is that the early schemes were not working well because they were not sufficiently work-based and work-related, and therefore it was right to change. I have some regrets about some changes. I mentioned the GNVQ. There is work experience and the drill has been that at 14 you had two weeks. This was strongly supported by the Learning and Skills Council. Then an emphasis moved to enterprise education, and over two years the LSC cut out its funding for this work experience. The Department for Education continues theirs; but with loss of the

LSC funding a body with which I was connected, which was the biggest organiser of work experience, did not have enough money to continue in being. That was a shift in emphasis in policy and it was a pity. Also, there has been a problem going back many years over the NVQs, especially at Levels 1 and 2, in complexity of bureaucracy and the extent to which they actually met the needs of employers rather than what could be taught in the colleges or the school. I am not in a position to say that the changes were wrong. I think we found it very difficult to get the NVQs right and that has been the basic problem and why I laid quite a lot of emphasis in my earlier remarks that in all the changes which are made, we make sure we get them right before launching fully into them.

**Q381 Lord Layard:** If it is true that this area has been neglected—and one can give all kinds of cultural explanations and so on—looking to the future we would want to change that. How do you think we can move towards a situation where this error is viewed in as strategic a way as the top half?

*Lord Dearing:* Are we talking about the 50 per cent?

**Q382 Lord Layard:** Yes.

*Lord Dearing:* I mentioned earlier a way of valuing a school’s achievements in terms of value added rather than just the A to Cs, that is valuing the achievement of every child. It is quite a complex business, but I did suggest it in 1993 and it has been developing ever since, and it is now used. One cannot possibly say this, so I shall not say it, but perhaps we should drop the A to C tables for a couple of years and concentrate on value added. I must not say that, it is holy ground. But we do have a major problem in our value structure. It is good that we should seek the maximum level of performance for our ablest young people, but so long as we continue not to recognise the achievements of the others, we shall not invest in them to the extent that is needed. Perhaps one way of showing how much we care is when the Government of the day honours the Chancellor of the Exchequer’s announced intention, before the last Budget, that the level of funding for state schools should be at the same level as the private sector schools. For me the priority in funding would go towards those who have least to offer and who need the most help. One can express it this way: put the money in where it is most needed.

**Q383 Lord Sheldon:** How do you bring young people into work-based training schemes when they have not had experience in education, training or employment?

*Lord Dearing:* You have to recognise that at school at 13 and start on a special programme to equip them. I mentioned that the Government are proposing this

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Flexible Pathway for 14- to 16-year-olds and I am saying perhaps start at 13, but the first 10,000 is piloting. We have simply got to realise that to have an effective apprenticeship they need to be certainly at level D or E in the GCSE; they cannot successfully engage in many apprenticeships unless they can read effectively and write and do basic arithmetic. One thing which is going to be done is, from 2009 functional English and functional IT are going to be embedded in the curriculum for those subjects and for maths in 2010. I do think this emphasis on functional English and mathematics and ICT is key to meeting the needs of these people. I am saying we should not wait until they are 16; we have to see what is lying ahead of them at 13 and start taking corrective action in the school. I go back to Christine Gilbert. It is offering the pupils what the pupils need to equip them for leaving school to be effective. If the Government are going to honour their September pledge that everybody at 16 will be offered an appropriate way forward, they need to start investing in these kids so that they can engage successfully afterwards. We have a disaster when kids leave, wanting to do no more than shake the dust of education from their sandals and disengage at all costs. You can often see that coming; it starts at nine, you can see the signs emerging. Our educational system has to respond to those kids and put the money there because the social consequences as well as the economic consequences of having a large part of society which cannot engage are disastrous.

**Q384 Lord Sheldon:** Because of the machinery and technical advances that we have seen the demand for unskilled labour is likely to continue to reduce, so we shall have many more of these people without proper jobs available to them.

*Lord Dearing:* Yes; that is right.

**Q385 Lord Sheldon:** So that task is going to increase.

*Lord Dearing:* Absolutely right. All the forecasts are that managerial and professional jobs are going to be going up and the unskilled jobs are going down. I remember all of 10 years ago, when I went to a seminar in the West Midlands with a group of head teachers to hear a businessman who had just come back from China whose message was “Be frightened at what is happening and is going to happen there”, and of course India has joined. You know the scale: 8 per cent per annum growth in GDP, now beginning motor manufacture and all the rest of it, and the consequences, the loss of blue and white collar jobs will be very large scale—India has set itself up to be the back office of the world and they are very clever, able, hard working people—unless we can upskill our people and not only upskill them in one specialism, but also provide them with basic skills, transferable skills so they can move from A to B. It is not just

having one skill; it is having the basic kit to continue and to adapt. I cannot finish without reference to life-long learning. This has to be embedded in our culture. There is an organisation called Learn Direct; I was chairman for a while. This was an idea of the present Chancellor. You pick up a phone and you ring up a number—0800 100 900—and you can get guidance on whatever your education needs are. I should like that merged with an organisation called Next Steps—the first is a telephone system and the other a face-to-face system—to reduce the complexity in the outside world facing our youngsters when they leave school, so that they can have easy signposting and get guidance not only into employment but particularly into learning. I am very much with you in saying it is such a very big issue and while you are right to be concentrating on the 50 per cent, the top 50 per cent is also an issue but it is one we are solving pretty well. It is the other half where we are doing worse than most and have done for over a century, if my memory is right.

**Q386 Lord Oakeshott of Seagrove Bay:** You spoke about youngsters shaking the dust of education from their sandals. Bearing that in mind, should all 16- to 18-year-olds be required to engage in some form of education or training?

*Lord Dearing:* I am glad you said “some form”. If you had said “education” I would have said no. Some form of personal development, yes. You will know as well as I do that, in terms of the OECD league of staying-on rates, we are well down the league. Anyway, the Government has a target, if I remember rightly, of 90 per cent engaging by 2015—it was 2030, now down to 2015—so it is not a big jump forward to say that they are going to have a target of engaging to age 17 by 2013 and to 16 by 2015. But it has to be education and training that is fit for purpose, otherwise it fails. The Green Paper is talking about penalties if pupils fail to attend. That is not fit for purpose. There will be some who just cannot. The world is moving and we are not in the front division; we are just not, especially for these kids in the bottom 50 per cent. We are way down and that is a losing hand. I understand from reading the evidence to the Committee that Lord Lawson of Blaby referred to an article in the FT which attacked this. I have not seen that article and I am sure there are faults which need to be remedied, but basic recognition of the need to continue investing in people in the right way, and for longer, is an inescapably right policy.

**Q387 Lord Oakeshott of Seagrove Bay:** I am sure we all agree what the problem is. The question really is: if you do not like penalties, how are you going to organise it? What are you going to do for that bottom 10 or 20 per cent shaking the dust off?

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*Lord Dearing:* That is why I am so glad a Green Paper has been issued because this is very difficult. You cannot make it a criminal offence; not that they are going to. Let me just air a wild idea and it is a wild idea. I recall long, long ago that there were things called rehabilitation centres. I think they were to do with people who had disablements. You could go to one for some weeks to get physically ready for work. Maybe we should have—maybe—some centres which are not in any sense punitive but with the skilled people and engaging activities for people who are a problem, to have an opportunity to re-engage, with excellent advice, very skilled advice and we should be prepared to spend money with employers to help them re-engage. We have to regard it as our problem as well as theirs and help solve it. We are partly to blame for their problem because we have not addressed their needs, which are not their fault, soon enough. We are being visited with the consequences of our own neglect.

**Q388 Lord Layard:** Should employers be allowed to employ people under 18 without them being in training?

*Lord Dearing:* Without training? Not yet.

**Q389 Lord Layard:** By some date?

*Lord Dearing:* I should like to go with you; I want to go with you on that but it is time. You cannot press a switch like that, until employers are capable of delivering the training. When you think of a little shop run by a family, especially if it is an immigrant family with strong family connections, but most of the family is itself illiterate, it is a very difficult thing to do and there is a culture of the family operating as a family, not only in a social sense but in a commercial sense. One has to think those things through very carefully. To the thrust of your question the answer is yes, but be careful.

**Q390 Chairman:** We have covered a lot of ground and you have given us your views on a wide range of issues which are very much related to what we are considering and we are extremely grateful to you for coming and for being so free with your views and experience, which we value very much. Thank you very much indeed.

*Lord Dearing:* It is kind of you to have listened to me. I know I did go on a bit at times. Thank you very much.

**Chairman:** Thank you.

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TUESDAY 17 APRIL 2007

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Present	Kingsdown, L Lawson of Blaby, L Macdonald of Tradeston, L	Turner of Ecchinswell, L Vallance of Tummel, L Wakeham, L (Chairman)
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**Examination of Witnesses**

Witnesses: LORD LEITCH, a Member of the House, MR ANDY WESTWOOD and MR STEPHEN EVANS,  
Leitch Review on Skills, examined.

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**Q391 Chairman:** Firstly, Lord Leitch, you and your colleagues are very welcome. I am bidden to say to everybody who comes that we ought to speak up and to speak slowly, so we get an accurate report of what you have to say. I suspect you might have thought that when you finished your report that was it and you were not going to have to go around to select committees and so on, but we are very grateful to you for coming along to answer our questions. I wonder whether you would like just briefly to introduce your colleagues and whether you have an opening statement or anything that you would like to say to start off with.

*Lord Leitch:* Thank you, Lord Wakeham. Good afternoon, my Lords. It has been four months since I presented my final report to the Government and after two years of work I felt it appropriate to pass the baton at that stage. Today it feels a little bit like being coaxed out of retirement for a comeback, but I am very pleased to be here along with my two colleagues. We have Andy Westwood, who was a key member of the Leitch Review, and Stephen Evans. I am pleased to be here because the more I have immersed myself in this incredibly complex subject of skills, the more passionate I feel about its importance and its value. Improving skills is vital if we are to maintain and improve our economic prosperity as a nation, but I believe the true prize is altogether much richer and much deeper. It is about pride; it is about fairness; it is about quality of life for everyone in our society. My terms of reference were to examine the UK's long-term skills needs in order to maximise economic growth, productivity and social justice. By the way, my background is that of an employer. I was chief executive of some 20,000 people, I was chair of the National Employment Panel, and I am currently chairman of BUPA and hold some other non-executive director positions. The focus of my study was on adult skills and that was because 70 per cent of the 2020 working age population have already left compulsory education. Also, the flow of young people into the workforce will actually reduce towards 2020, so solutions do not just lie in helping those at school. Very quickly, my analysis showed that despite some excellent employment rates in this country and despite sustained economic performance, our productivity stubbornly lags

behind our key competitors; productivity for this country is our Achilles heel. There is a direct correlation between skills and productivity. Compared with the 30 countries in the OECD, we are distinctly average on skills: seventeenth on low skills, twentieth on intermediate skills, eleventh on higher skills. Actually, if you look at that, we are below average on skills and yet this is the most powerful lever within our control to deliver economic prosperity and to deliver social justice. Despite some good initiatives, I believe intense global competition means that the UK is progressing at best towards undistinguished mediocrity in skills. We are running to stand still. We have to raise our game. This is a simmering crisis; it is a matter of urgency. In my review we set out a very clear vision for the UK to become world-class in skills by the year 2020. I set out clear objectives, principles, eight recommendations spanning all levels. Because there is no single panacea here, improvement must happen at all levels and, significantly, more investment must be made in skills by government, by individuals and by employers. Ideally, I should like to present more of my review but I am aware of our time, so I shall not. May I say how much I welcome your study? For the UK to have a world-class workforce, we need world-class skills for our young people. We do not have those at the present time. Our intermediate skills are insufficient and they are undervalued. I believe our position on basic skills is totally unacceptable for the fifth richest nation in the world. We risk a lost generation as jobs inexorably demand higher skills. As you are aware, my work does not fit exactly with the template of your study, but I will do my absolute best to help this afternoon. I will stop there and give you a chance to put your questions. My last opening point is that I believe, the more I immerse myself in this study, that investment in economically valuable skills is the best investment this country could ever possibly make.

**Q392 Chairman:** Thank you very much indeed. As I understand it, your report proposes that the Sector Skills Councils should be given greater power to determine what apprentices learn. I just wonder whether we should be concerned that this could lead to longer-term benefits of training being sacrificed to short-term needs.

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*Lord Leitch:* I believe we should not be concerned. At the same time, we need to be very careful to manage both the process and the outcomes here. Employers, public and private, are best positioned to determine those economically valuable skills that each industry sector needs. In fact I do not know who could do it better. Employers are in the best position. If I could just remind you what we recommended in my report. We said we must engage more employers on skills; the Sector Skills Councils have a crucial role to play here. Sector Skills Councils are about identifying skills gaps. They should take the lead in developing occupational standards and improving qualifications, and only those vocational qualifications approved by Sector Skills Councils would attract public funding. Sector Skills Councils are not about quick, temporary fixes. Conceptually, the 25 Sector Skills Councils are in a unique position to deliver this, but they have to be reformed and re-licensed. In my view, the Sector Skills Councils, as of now, are not good enough to deliver this. They have to be reformed and re-licensed. They also have to be managed effectively and managed by the new Commission for Employment and Skills. I believe we will talk about that more later. They have to be controlled and controlled by the QCA who will maintain standards. There has to be the right process. They have to be managed correctly and, by the way, our analysis showed that most employers today do value transferable skills and do appreciate their employees taking qualifications for those transferable skills. In conclusion, I believe my recommendations—and there is a qualification—and if implemented properly, should give us no concerns for the questions that you are posing there.

**Q393 Lord Turner of Ecchinswell:** I wonder whether I could focus on the issue of getting people to shift from Level 2 to Level 3 and in particular the issue of apprenticeships where, within the recommendation, it suggests that we should boost the number of apprenticeships in the UK to 500,000, which is a significant increase. I wanted to try to understand your philosophy as to what the problem is and what the solutions are. In the executive summary you say “Government investment must focus on market failures”. You talk about the need for a demand-led process, where I guess “demand-led” could mean either demand-led by individuals or by employers, the two dimensions. You also express a worry that we need the Sector Skills Councils to make sure that the skills that are being taught are economically valuable and to do that only “by allowing public funding for vocational qualification where the content has been approved”. My question is: what is the market failure here? Why do companies not train in an appropriate fashion? Can it be unleashed simply by changes in process and definition of the qualifications, or is there

something fundamental that it is not in the interest of an individual firm to train to the level that society wants, because the benefit of that training is going to go elsewhere, in which case we have a market failure? Therefore, against the background of that philosophy, what is it that the Government have to do? Do the Government have to pay for apprenticeship places to a greater extent than at the moment? What is the balance between the role of the Government and the employer in making sure that we get what we want here?

*Lord Leitch:* In terms of Level 3 skills, I am disappointed at the fall in Level 3 apprenticeships that we have seen. It is very, very disappointing. As you say, we must significantly increase our Level 3 skills. Our intermediate skills at Level 2 and Level 3 are poor by world standards. We are twentieth out of 30 and we have this poor progression from Level 2 to Level 3, both at school and in the workplace, and it limits that quality of intermediate skills. We said we should aim to achieve world-class by 2020, shifting that balance, and we are talking about big numbers here. We are talking about 1.9 million additional attainments here. We are talking about something like doubling the attainment levels and increasingly apprenticeship is going to be a big part of this. I come back to “demand-led”. We have to get to the situation where employers engage much more in the skills agenda and sector skills is the route by which we can do that. We see some examples already where sector skills are actually achieving that in those intermediate skills. Another point is about information, advice and awareness. Too many people in our society do not see the value of learning. We see that in that they do not continue through from that Level 2 to Level 3. What we are recommending in our review as a first step is that we should increase awareness. We should run a national sustained programme of awareness of the value of learning. We should then follow that up with information, advice and guidance, which is not done effectively at the present time. By doing that, you get the individual to say it is worthwhile going from Level 2 to Level 3, simultaneously with a drive from employers through the Sector Skills Councils saying this is the right thing to do. These are the two strands I would say that we need to work on.

**Q394 Lord Turner of Ecchinswell:** Is it your opinion that that is sufficient, that if we had a better awareness by individuals of the benefits of apprenticeships, better awareness by employers of the benefits, better designed qualifications coming out of the Sector Skills Council, we would automatically get this increase in apprenticeships? Or is it a more fundamental problem that we have to spend more public money on it because this is a public good, rather than a private good?

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*Lord Leitch:* It will not happen automatically. In terms of balance of responsibility, we talked on responsibility and said that if you look at higher education, intermediate and lower, the Government should spend more at the lower end. Individuals and employers should spend more at the higher end. At the middle level it is probably 50/50. So more money has to be spent in this area, but it will not happen automatically. The other area which is very important is Train to Gain. Train to Gain is an absolutely excellent initiative. I will give you an example. I went to see a small business in South London a few months ago. It was a business that had not done any training at Level 3 whatsoever and the Train to Gain adviser went in, analysed the business and told them what to do. I talked to the employees who were absolutely motivated that they were being trained. The employers were as pleased as punch that they got some people with better skills. All these things have to happen together with a major push on investment, a major push for the employers, engaging through Sector Skills Councils and at the same time, through this awareness programme, individual learner accounts, all these happening, there is no single simple solution.

**Q395 Lord Macdonald of Tradeston:** Presumably to get to your target of 500,000 apprenticeship places will need a change in the number of employers coming forward. Do you think that payments made directly to those employers to take on apprentices could be part of the solution?

*Lord Leitch:* At the moment, Learning and Skills Councils do engage directly with large employers. We actually spent some time looking at large employers engaging with Learning and Skills Councils. That happens at the present time. Many smaller enterprises prefer the simplicity of going through providers such as an FE college, so it is a bit of both and it is not one size fits all. I say again, demand-led funding is good, and wherever possible I would support the approach rather than centrally planned funding. The way ahead should be demand-led by the individual or by the employer. I am an optimist on the 500,000 target. I believe that that number of places is a minimum; we should and can exceed that number. Apprenticeships deliver the best wage return for vocational training and we can do that. Experience tells us that the best advocates for apprenticeships are those businesses already using them and Sector Skills Councils, Train to Gain brokers, all have this key role to play, ensuring we have economically valuable skills. That was one of the mantras of our review. If you look in this country, there are too many courses. Currently, we have 22,000 vocational courses and too many of them are insufficient in driving those economically valuable skills. Sector Skills Councils must be strong

champions. I would give Sector Skills Councils very clear targets on numbers of apprenticeships, very clear targets there. Train to Gain is excellent. Their brokers actually, by the way, recommend apprenticeships as the first option, so you will see that happening as well. At the same time, we see Apprenticeship Ambassadors Network having a real role to play in all of this. At the present time we have real momentum, up from 75,000 to 250,000 and I think we can move to 500,000. Of course, the completion rate is too low at 59 per cent; we have to improve that. On apprenticeships, may I just say this? I suspect that the great British public believe that we do not have apprenticeships anymore because they thought that with 75,000 they had gone. They did not realise that we have gone to 250,000. One of the issues in apprenticeship is esteem. When we get over the message that momentum is there, we have gone from 75,000 to 250,000 to 500,000, you will see not just the economic worth, but the esteem of apprenticeships rising.

**Q396 Lord Vallance of Tummel:** Can we move another rung up the ladder? May I ask you whether you think more should be done to ease progression from apprenticeship up to Foundation Degree level and, specifically, whether things could be done by the universities and other higher education establishments which are involved in that?

*Lord Leitch:* The answer there is yes, yes. I shall expand a bit and perhaps broaden my answer. I think there should be three routes to higher education: there should be A levels; there should be apprenticeships; and there should be diplomas. There should be three routes. We should focus quite rightly on apprenticeships, but there are more routes than just apprenticeships. We must have good progression for all vocational routes. With Foundation Degrees at 60,000, I would say that progress has been good. As a nation we need a much higher percentage of our workers at Level 4 and above in order to compete in the global economy. We also need to invest more in higher education. This point came out very strongly in my review. On higher education, the UK spends 1.1 per cent of GDP on higher education, the United States of America spends 2.9 per cent, Korea spends 2.6 per cent, Canada 2.4 per cent. We must invest more. In terms of the principles of the balance of expenditure, we were saying that should come mainly from employers and individuals who should spend more on higher education and engaging more with employers is a route to attracting more investment here. To do that we must have dramatically better links between employers and universities and higher education establishments. We saw the Lambert Review something like three years ago and there was a review last year by the City of London financial services, both stressing how inadequate the links with

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business and universities were. We have to do much more on this score. Those are some of the things I would like to see and we said in the report, we would like to see a portion of the higher education funding going to Train to Gain to improve more training in the workplace. We would like to see more modular degrees in the workplace, further education colleges to work much more closely with employers. Some of them do. I visited a great further education college in Fife which was attracting 60 per cent of its funding from local employers by designing bespoke courses for those employers. We should have a clear objective and a clear national objective of more than 40 per cent of the workforce at Level 4 and above; 29 per cent at the present time. We have to do much more on this score.

**Q397 Lord Kingsdown:** We have heard some criticism so far of the careers advice and guidance available to young people. Is this criticism justified? If so, what in your view are the main measures needed to improve this?

*Lord Leitch:* We heard the same criticism of this. In our study we did not examine closely that area. We looked much more at adult careers advice and, as I was saying in my first answer, we found that adult careers advice is weak and fragmented in England. We recommended the creation of a single careers advice body for adults in England. Scotland and Wales already have this; England should too. We should also do things like having one-stop shops in Jobcentre Plus, where you join up the service to find you a job as well as the service to give you advice on skills that you need. These are areas which are perhaps similar to those for young people. May I just emphasise the point I was making earlier as well? There is another critical piece in this skills jigsaw which is awareness. What we have to do in this country now is to embed a much greater culture of learning, which we do not have in this country, much greater than today because individuals have to play their part in learning more, becoming world-class in our skills. What we would like to do is to increase the aspiration and to increase the individual investment in skills both in time and in money, a new sustained national campaign to raise awareness and aspiration, people making informed choices through more accessible information, advice and guidance and giving individuals more choice and more control through these Individual Learning Accounts. Coming back to Lord Turner of Ecchinswell's earlier question, it may take a generation to change this sort of culture. This is not going to happen overnight, but we see symptoms where it can work and work well. I do not know if you remember, there was the most appalling advert on television, a gremlins advert, which was advertising why you should learn, and it was so bad, it was good—you noticed it. As a result of

this awful advert, there were something like 300,000 enquiries about learning and in that year 120,000 more people took up those courses. Just think, if you can do that with such a bad advert on a one-off occasion, what you can do with a sustained targeted focused national campaign. There is a huge way forward here.

**Q398 Lord Lawson of Blaby:** In the executive summary of your review, you wrote, and I quote “. . . more than one in six young people leave school unable to read, write and add up properly,” and you continue, and I quote again, “The Review emphasises how critical reforms to GCSEs are to improve functional literacy and numeracy”. Can you say precisely what reforms to GCSEs you think would be of most help in this vitally important area and whether you think these reforms are taking place or likely to take place?

*Lord Leitch:* We do have a very serious problem on basic skills in this country. It is not just with the young people, it is also with adults. I would like to expand before I try to answer your question. It is with the whole working age population where we have five million adults lacking functional literacy, seven million working age adults lacking functional numeracy. This is far higher than other developed countries and, as we said, over one in six young people in England leaving school lacking those basic skills. The other point I would add here is: who are these people? Generally, these are people from poorer backgrounds. They are people from poorer backgrounds and we also say in our review children from wealthier backgrounds are six times more likely to go to university than children of the same ability from poorer backgrounds, so clearly something has to be done. Once again, as I said in my introduction, these sorts of figures are unacceptable in this country, the fifth richest country in the world. In my review, we recommended by 2020 that 95 per cent of all adults should have basic skills of functional literacy and numeracy up from 85 and 79 per cent in 2005. I recommended trebling attainment with increased expenditure of between £1.5 and £2 billion a year up to Level 3. I also launched a voluntary pledge for employers to train all staff up to Level 2 and I am sure Sir Digby Jones talked about the pledge when he was here and that was part of our recommendations. You are right, it is absolutely clear that employers need higher levels of cognitive and social skills from young people as well. As I said, there is no way we can get to world-class skills unless we have the young people coming through and doing that. We must have that world-class attainment for young people. We did not look at the curriculum of GCSEs and say what should be done. Our focus was very much at 19-plus, but we do note many good initiatives under way, the functional skills initiative, new diplomas including

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learning and thinking skills, personalised learning and skills, and so there are many good initiatives under way. I would make two points here. One is that we must involve employers in the review of curricula; we must involve employers here, as we are doing with diplomas. The second point, and I feel this very strongly, is that we must be much better at delivering what we started. When I started on my review, I found a panoply of hundreds of initiatives going on, very good initiatives. We are very good at inventing them, but not good at seeing them through. That is my second point: we must be much better at delivering on what we started. The other point, which is linked, is to focus on the achievement of outcomes and not the rhetoric. There are three points. So in answer to your point, I am sorry, we did not look at specific recommendations for GCSEs, it was not part of our brief, but these were the points that we noted.

**Q399 Lord Lawson of Blaby:** You are recommending here reforms for GCSEs and indeed you say this is critical and you have obviously given the subject a great deal of thought, so can you say something to us about the sort of reforms for GCSEs which you think might be of help?

*Lord Leitch:* Functional literacy and numeracy are two particular ones that we were looking at and the other place is to get employers directly involved in schools at an earlier time than at the present time. These were the areas that we were looking at.

**Q400 Chairman:** May I just ask you about your proposed new Commission for Employment and Skills? How do you see that operating? Will the Commission represent and defend the interests of young people in apprenticeships?

*Lord Leitch:* Yes, it will. It is worthwhile just looking at the remit of the Commission. It is: to strengthen the collective employer voice; better articulate employer views; higher profile for employers in this; enable employers to influence skills policy and delivery; and—there is an important point here—within a national framework of rights and responsibilities. This is not abdication, this is within a framework, a national framework, and it would allow the UK to have more continuity on skills policy and help to de-politicise—less chop and change. The Commission will be accountable to central government and devolved administrations. Its composition will be: an eminent business leader—I am involved in this recruitment myself; the Director General of the CBI; General Secretary of the TUC; relevant academics; and representatives from the voluntary sector. There are three functions: to advise and propose policy. Second, a periodic review of skills. We recommend that we have an annual mini Leitch review of where we are on our journey to world-class skills. The Commission will do that.

Third, it would manage Sector Skills Councils to deliver much greater employer engagement and investment. The flow of young people into the labour market is absolutely crucial to the UK's future skills base. The Commission must and will see this as one of their top priorities and the growth of apprenticeship is fundamentally important. The 500,000 target by 2020 is crucial and I would set this as one of the clear objectives of the Commission, clear objectives, no hiding place for employers in this.

**Q401 Lord Turner of Ecchinswell:** May I ask a supplementary question about this pledge for employers to get everybody up to Level 2, because it comes with a sting in the tail which is contingent statutory enforcement. You said that if that pledge is not delivering sufficient progress by 2010, a statutory entitlement to workplace training at Level 2 should be introduced. May I ask you how you thought about this issue of compulsion? This whole issue of statutory compulsion is, of course, one of the great old chestnuts of the training debate in the UK. There are three reasons why companies might train adequately. They might train adequately because it is in their direct perceived self-interest to do it. They might train adequately because we have created a culture of the belief that they should go even beyond that because they have made a pledge, they have made a voluntary commitment, they are members of society. Or they can be forced to do it by statutory requirement. How did you end up with this particular balance here, that there should be an attempt at the pledge and if the pledge does not work a statutory requirement? What is the international experience on this? Do other countries take a statutory approach and if we do end up post-2010 following that fall-back statutory approach, how do we make sure that we are really getting good training, because the great debate about statutory has always been that you put in a statutory requirement and people just fill in the box?

*Lord Leitch:* We have tried compulsion in this country a number of times and it has not worked. It can be a very blunt instrument that compels employers not to deliver what they should be delivering. Philosophically, I am against blanket compulsion; it is the wrong thing to do. I would much rather encourage, put the framework in place. As an employer, I have seen compulsion and seen it not work. I have seen employers pay the levy and do nothing. Having said that, the right to practise has worked in some areas. I come from a financial services background and we see compulsion, where you have to have certain training to sell products, then that is the right to practise, you have to do that. It has worked in the health sector. It has actually been very good for those sectors. In financial services, the fact that you have to pass an FPC one, two and three

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before you can sell a basic ISA has actually been very good for the industry. It has helped the productivity of the industry and it has helped the image of the industry. When it is targeted properly, particular forms of compulsion can work, but I am against blanket compulsion. I went to the TUC conference and explained this to them as well; I did not get agreement but I explained it to them. I am against that as a device. International experience is that compulsion does not deliver. It does not deliver as expected and it has not worked. At the same time, one in three employers does no training whatsoever. We have some fantastic training done by the other two thirds but one in three does none. I believe that with the right champions going out we can do this voluntary pledge. We found the idea, by the way, in Wales. Wales started this and in next to no time, had 10 per cent of employers doing this voluntary pledge to train people in basic skills. We said that if it works in Wales in this way, it can work here. By having Sir Digby as an ambassador with his particular skills, we can actually go out and get people to do this. Having said that, if it does not work, and I really hope it does work, I see no alternative but to bring in compulsion if it has to happen. We have Train to Gain. This is a great proposition to employers. What we are saying is that the Government will pay for an adviser to come in to examine what your business needs and then pay for the training. It is a great proposition and it is the right way forward rather than trying to put heavy-handed compulsion in now.

**Q402 Lord Macdonald of Tradeston:** Just another aspect of compulsion. We have heard the argument for and against requiring 16- to 18-year-olds to remain in some form of education or training. Where do you think the balance of advantage lies in that debate?

*Lord Leitch:* My starting point is that the status quo is not an option. Where we are at the moment is not an option. We have had recent improvements in the UK's post-16 participation in education and training but it is still below the OECD level. Today we have a situation where one in six young people is classified as NEETS, one in six, more than 17 per cent. We have these 16- to 18-year-olds who are missing out on jobs, earnings, health, all these sorts of related areas and where the country loses out both economically and socially as a result of that. This is a serious issue and it has to be addressed. Unless we change, this will continue and it will get worse. I would support changing the law to compel people to remain in full-

or part-time education or in workplace training up to the age of 18. There is a "but" here. My "but" is that I would not do that until we are sure that we have a framework installed capable of increasing attainment. Switching too soon could backfire. What I said in the report was, get the framework in place, demonstrate that it works by the increase in attainment levels and then go ahead and implement it. Let us make sure it works, know it works before we legislate. It is absolutely important that we have a credible vocational route. Diplomas, as you know, are a major step forward. They are obviously not yet proven, there is a huge amount still to do on diplomas, it is a major, major development. As long as we have this proven framework I would enforce, but we need to look not just at these things. The more you look at skills, you cannot look at one single thing in isolation. It is part of a framework and the framework that I would have is to increase that awareness of the value of skills to the individual and to the family, to reform for example Jobcentre Plus to get better careers advice, to have this joined-up service at a point of easy accessibility in the high street where you can get advice on what you need in your job, advice on what you need to get skills and to find you a job and to get employers much more involved in terms of their contribution to the design and promotion of the right skills.

**Q403 Lord Kingsdown:** What would be your advice to somebody who has been given the job of teaching a class of bolshie 17-year-old secondary school boys who simply do not want to be at school?

*Lord Leitch:* I don't think I'm qualified to answer, I am not an expert teacher. I would engage employers. The thing that we found in America in community colleges was absolutely stunning. We saw community colleges with problems like this and they engaged youngsters in areas they were interested in, for example in cars. We saw one community college near Washington where they actually had Ford bring in brand new models that these youngsters could work on. You have to give them subjects and topics that they are interested in and they think that can actually benefit them going forward. That would be my thinking but I am not an expert in this.

**Chairman:** A good answer all the same for a non-expert, if I may say so. We perhaps ought to draw to a close now. We are very grateful to you for coming along. We have covered a lot of ground in a very short time and that is valuable to the Committee and we appreciate it very much. Thank you very much.

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### Examination of Witnesses

Witnesses: SIR ROY GARDNER, Chairman, Apprenticeship Ambassadors Network and Compass Group plc, MR ROD KENYON, Director, British Gas Engineering Academy and MR MARTYN PRICE, Managing Director, CMC Ltd, examined.

**Q404 Chairman:** Good afternoon. Thank you very much for coming along to help us with our inquiry. I say the same thing to all witnesses when they come, which is that we are all required to speak up and to speak slowly so that we get an accurate recording of what we say. I do not know whether you want to start off by making any statement or whether we go straight into the questions or whether you want to introduce your colleagues. We certainly have their biographical details and they are all very welcome.

*Sir Roy Gardner:* Firstly, thank you for your invitation to be here today to speak about apprentices and the work of the Ambassadors Network. If I could just briefly introduce my colleagues, Rod Kenyon who heads up the training academy at British Gas and is secretary to our Network, and Martyn Price who is a Network member and runs his own construction company, CMC Limited, and started his career as a carpenter apprentice. In a strange way, my own career in accounting started by a route which is not dissimilar to an apprenticeship.

**Q405 Chairman:** If I may say so, you are not the only one in this room who started that way, because I did as well.

*Sir Roy Gardner:* I was very pleased when the Chancellor asked me, actually on Budget day in 2003, to lead the taskforce to look at apprenticeships. Our remit was to encourage more employers to become involved in apprenticeships and to comment on some of the barriers that were preventing them from so doing. Ultimately, of course, it was to do what we could to help the LSC to achieve its PSA target of 175,000 apprenticeship new starts for under-22-year-olds by July 2005 and that was actually a target which was achieved. In our final report, we made a number of observations and recommendations which I am sure we will touch on later. The Ambassadors Network is a successor body to the taskforce. It was one of the recommendations that the taskforce made and once again our focus is on getting more employers engaged, always emphasising of course the business benefits for employers. Going forward, one of the key tasks that we see we have is to help enhance the apprenticeship brand. I am sure you will know that there have been two significant recent announcements. Firstly, the Secretary of State Alan Johnson outlined the Government's entitlement for all young people who are appropriately qualified to have an apprenticeship place; secondly, Lord Leitch's target of 500,000 new apprenticeships. For us, that is 400,000 in England and we are looking

forward very much to working with the LSC and the SSCs to achieve what we think is quite a stretching target. I should say that I am not here today as an expert on the education and training system in this country, but I am here as an employer committed, if not passionate, about apprenticeships.

**Q406 Lord Vallance of Tummel:** Sticking with the Ambassadors Network to begin with, can you outline what you think it has achieved so far as a network and where and how it might develop in future years?

*Sir Roy Gardner:* Okay, let me tell you a little bit about it. Firstly, it is an independent group of 25 employers who are all committed to apprenticeships. Our principal aim is to get greater engagement from employers. We are following up on the recommendations of the taskforce, which were: careers advice and guidance should be given much more weight by schools and colleges. The LSC—and Lord Leitch actually referred to this—should allocate more marketing resource and make much greater use of sector champions; generally they should adopt a sectoral approach in the future; and there should be a clear progression route to higher education. These are the four recommendations we are really picking up on. We work very closely with the LSC and the SSCs, but basically we take every opportunity to increase awareness about apprenticeships, whenever we make speeches or at promotional events, targeting specifically SMEs through supply chains of our members or by having open days which we have done recently at Bentley, at N.G. Bailey and also British Gas. One of the other successful initiatives was a letter written by one of our members, Mike Turner, who is chief executive of BAE Systems. He wrote to the chief executives of the FTSE 250 encouraging their involvement in apprenticeships and also giving advice on the responsibilities of employers to ensure better completion rates. We believe that by engaging employers, we are actually spreading the word that apprenticeships are worthwhile and this really complements the work that the LSC is doing in branding apprenticeships generally. In my view, engaging employers is a preferable way to argue the case. Employers actually prefer to hear about apprenticeships from other employers or from the apprentices themselves. They are much more likely to accept the arguments and become engaged as a result. In terms of achievement, I mentioned that we achieved the initial PSA target, but both the taskforce and the network have made important contributions in raising the profile of work-based learning. However, we are under no illusion; there is a lot more

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work to be done. The future is really a matter for ministers but it is our view that there is always going to be a continuing role for an employer-led group arguing the benefits and advantages of apprenticeships. I would just like to quote from an FT editorial that was released at the time of our initial report, which said that “the taskforce’s most important recommendation may be that a successor body continues as a champion for apprenticeships. Normally a committee that follows a committee is a poor idea but this has been a business driven one that has assembled the evidence of success and then itself sold the value of that to other employers. Government of course have a role to play but it is employers who need to be convinced that apprenticeships are worthwhile. No-one is better equipped to convince them than other employers.”

**Q407 Lord Turner of Ecchinswell:** May I ask a question in relation to the parallel or related issue of policy, which is this point about the apprenticeship guarantee. How do you imagine that would actually work in practice? Do you think it will work well? Given that for an apprenticeship to be a good apprenticeship we have to have a willing employer and a willing employee, how mechanically can we make sure that there is a guarantee, that there are actually the places available which match the people who want them?

*Sir Roy Gardner:* The real challenge is to get more employers involved, particularly SMEs. As I understand it, the entitlement or guarantee will become operational in 2013, but it is going to be extremely important that we adopt a sectoral approach where we are looking to the Sector Skills Councils to make an important contribution. The engagement of SMEs by the Sector Skills Councils is actually crucial to persuading more businesses to offer training. We estimate that to achieve this it requires an annual increase in apprenticeship places of around 20,000 to 25,000. Now that is not an insignificant challenge. To emphasise the point again, it is only going to work if we can engage more employers.

**Q408 Lord Kingsdown:** Can you give us your view on how the specialised diplomas might work and how they affect both the supply of young people seeking apprenticeship and employer demand for them?

*Sir Roy Gardner:* As a network we fully support the introduction of diplomas but it is essential that they are valued and they are seen as a worthwhile qualification by employers and also credible by schools. If I may just take a couple of minutes to relate a little story to you which illustrates the point, it was told by one of our members who was visiting one of his factories and found out that a school visit

was taking place on that very day. He decided that he would go down onto the shopfloor and talk to them. He went down and sure enough there was a headmistress with all her pupils walking around the shopfloor. He went up to her and introduced himself and said he was so pleased that she had taken the trouble and found the time to come to visit his factory. She said “Yes, it’s very, very important. I have explained to my pupils that if they do not work hard, they could end up in a job like this”. It just does illustrate the point. I am very pleased that a minimum of 10 days a year will be spent with employers so that young people can get an introduction to the world of work and, as a result, applicants with diplomas will become much more attractive to employers and also they are ideally placed for entry into apprenticeships and also to higher education. It is our view, having said that, that it needs a massive campaign to increase awareness and understanding of diplomas. There is a great lack of understanding at the moment.

*Mr Kenyon:* A question was asked of Lord Leitch about dealing with bolshie pupils, but there clearly are in schools some children who are disaffected from what we would call academic subjects and I think a diploma might just be that chance where you can excite them in something different in the world of work and the fact that they will have a chance to go to see work in action. I went to see the skills centre in Feltham where the LSC and local schools had got together and they are giving children a chance, for one day a week, to go and do something practical. In the main, these were children who were completely disaffected from school and had lost interest but when they were doing hairdressing or bricklaying, being treated like grown-ups, as they put it, it was inspiring them, and that might just be the chance, if we can get these diplomas to work properly, to achieve part of the other question.

**Q409 Lord Lawson of Blaby:** Nevertheless compulsion cannot but be counterproductive. You have to encourage them, rather than make it compulsory.

*Mr Kenyon:* That is right. In the Green Paper it was almost like ASBOs or something. You cannot make people stay at school and I do not think that is the intention. The phrase is “staying in learning”. I am sure that we should be able to excite young people, forget learning the classics and arts, to be a carpenter, to brick lay, those people would want to do that. I remember when we had the thing about plumbers getting paid £70,000 a year and all of a sudden everybody wanted to become a plumber. I am not suggesting we do that for these jobs, but on the other hand people can be switched on if you can just engage them and make this route a credible route.

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**Q410 Lord Lawson of Blaby:** Going to the other end of the age group, the education ladder or whatever, we have had, during the course of this brief inquiry, a lot of evidence about the poor basic social skills and numeracy and literacy of far too many school leavers and the result is that they are not really in a position to benefit from apprenticeships or higher training. Do you think this is a serious problem and if so, what measures do you think might make a difference?

*Sir Roy Gardner:* Yes, we do think it is a serious problem and it is a matter of great concern to employers. Many children are switched off at an early age, but it is very difficult for employers to address. It is probably too late in the process. It is really a problem for parents and teachers. Employers' requirements are pretty straightforward. They need applicants to be able to read, write, talk, count and use computers and also to communicate, to work in a team and to plan and deliver a project. If they have those basic skills then employers will do the rest. This lack of skills is really something that schools and teachers need to address and there is a great need for teachers to have a better understanding of the world of business and that is where I would aim the attention. We certainly hope that diplomas will make a major contribution to solving some of these problems and give young people a good introduction into work.

*Mr Kenyon:* The issue on diplomas is this one of credibility and that they are not talked down as something you just do if you are not doing well at school; that is a danger we have to avoid. The other challenge, and it is a challenge for the Department for Education and Skills, is that there really does need to be a lot more information out there as to what these diplomas mean. I was at a conference recently in the water industry, 130-plus people, and I asked them how many had heard of these diplomas. One single hand went up from the SSC staff there; they just had not heard of them. There is an awful lot we need to do in terms of explaining to employers and parents what this means.

**Q411 Chairman:** I wonder whether that is the answer to the next question that we have. Employers can, if they so wish, contract directly with the Learning and Skills Council to provide apprenticeships and we just wonder why so few of them have elected to do so and what might be done to interest and involve more employers?

*Sir Roy Gardner:* Yes, it is true that the LSC does contract with a number of large employers and as a result those employers have more of a direct interest in the individual. However, many small employers choose to operate through local providers in the SSCs because of geographic location and the size of their business and the number of apprentices that they require, maybe only one or two a year. Often,

training providers need a class of 12 to 14 to make it viable, so a number of small employers will engage in training through a local provider and as a result they become more distant from apprentices.

*Mr Price:* Obviously, from a construction sector point of view, which is one that I am very heavily involved in, we have the added benefit of the managing agency running predominantly the apprenticeship contracts. Part of the reason why it is predominantly the larger employers is that the audit inspections and the Adult Learning Inspectorate challenge that face providers are something that is very much going to dissuade smaller employers. The SSCs and other employer groups could take on this risk for the benefit of the sectors that they represent.

*Mr Kenyon:* I guess behind this question is the worry that the employers are just that bit more removed from the apprentice, but Sir Roy has articulated the argument pretty well that in some cases the numbers are just so small that you have to move together. David Sherlock mentioned in his evidence before you the idea of group training associations where you can get employers in a particular sector—and it does happen in construction to some extent—who can pool together and do training for the sector and farm them out to the relevant employers. There are a few models of how this can be done and that is good, but we just have to make sure that the employer retains that interest in ensuring that the apprentice completes and their training is done properly. One size will not fit all.

**Q412 Chairman:** But you do not think there is a great deal of problem with awareness in this area?

*Mr Kenyon:* There probably is a lack of awareness amongst some employers about apprenticeships generally and the politicians are always telling us that they knock on doors and people say “Why don't you bring back those apprenticeships that we used to have?”. Apprenticeship numbers are 250,000, the highest number for I do not know how many years, so something is working. I know we can talk about completion rates and maybe you will move on to that but, and that is part of the network's challenge, but I still think that some proselytising is needed to explain to some employers, yes you can get an apprentice and these are the benefits of doing it. I am sure that is around.

**Q413 Lord Macdonald of Tradeston:** May I ask what you think of the incentive qualities of making payment direct from Government to the employers in return for more on-the-job training? Would that help meet that 500,000 target?

*Sir Roy Gardner:* I suppose the simple answer is inevitably yes, but with a large number of SMEs in the economy the payment process would need to be small-business-friendly and I am not sure I would

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understand how the process would work. If the payments actually covered some of the costs of tuition and time away from work, then it may encourage more employers to get involved. After all, financial inducements tend to influence behaviour but Martyn, you have some direct experience.

*Mr Price:* I have. Just a general thing from a Sector Skills Council perspective: payments direct to employers in return for more on-the-job training could increase the number of places available. However, in the construction industry most apprentices are trained by SMEs, often small businesses which can only take one or two apprentices at a time. Furthermore, in some parts of England the majority of construction workers are self-employed and it is important to offer a mentor to help train the trainees, although historically business has not felt responsible for supporting and engaging in training. One of the things that we have done within our own company and within a local training group that I am involved in is try to put a value on it. We pay our trainees for framework completion. It might sound quite peculiar from an 18-year-old but when they come back and ask whether they can retake their key skills exam that they failed or whether they can go back and re-sit their technical certificate because the framework money is available to them and we have involved their parents in the process of finishing it, then there is a significant added value that certainly comes from that approach. It is the awareness and the branding that to us are making the most significant differences and will help significantly on uptake as well.

**Q414 Lord Vallance of Tummel:** We have been told that the bureaucracy sometimes associated with the assessment of NVQs can deter companies, particularly small companies, from offering apprenticeships. Do you think there is some truth in this and, if there is, what, if anything, can be done about it?

*Sir Roy Gardner:* We have heard the criticism of NVQs and, as with all qualifications, there is a need for assessment, which can lead to bureaucracy. I should like to make a couple of points. The checks and balances in the process may be burdensome to SMEs and that is really why they ask local providers to manage the process for them. There are audits by external bodies. We would argue for a lighter touch on those good-performing providers to avoid duplication. Martyn and Rod may want to add to this.

*Mr Price:* Yes, a couple of points really. Firstly, I believe ConstructionSkills, as one of the pathfinder SSCs, is involved in the Apprenticeship as a Qualification project and they are exploring and developing a more honest and appropriate qualification designed on the best of the current

NVQs and technical certificates. I believe that is being piloted over the next three years, so with the feedback coming from that there may be some more substantial indication of where that is going. Also, there is a slight issue in terms not of bureaucracy but more in terms of profile of work. At this time, construction companies or any companies could have an amount of profiled work that enables them to complete the competences in an NVQ, but with that changing you may find that there is an element and a number of trainees ultimately not achieving a qualification and an NVQ because they are not open to the range of work-based evidence to do that. Some form of umbrella and consortium approach to that, maybe involving again the Sector Skills Councils, may help bring a greater and a higher level of achievement.

**Q415 Lord Lawson of Blaby:** You said a moment ago that when politicians knock on doors the public say "Why can't we have apprentices" and you were puzzled because in fact there is a big increase in apprenticeships. May I suggest one reason why they might get that response? Ordinary members of the public do not meet large employers. The employers they meet are the plumber who has come to fix their plumbing or the local garage man who is mending their car and it is these people who say they cannot get apprentices any more. It may be that they cannot get apprentices, these very small employers who could perhaps only have one at a time; it may be that the paperwork is just too much, I do not know, and they just say they cannot get them. Do you think there is a problem in this area and if so, what do you think might be done about it?

*Sir Roy Gardner:* There is a problem of awareness. You picked up on plumbers and it is an area we know quite well because we do employ quite a lot of apprentice plumbers.

**Q416 Lord Lawson of Blaby:** I am talking about the smaller ones.

*Sir Roy Gardner:* The smaller employers tend to pick up their resource from the large employer but it is extremely difficult to increase the awareness of apprenticeships without a massive campaign advertising what we are trying to do, with open days at a number of our member companies. That works pretty well because we actually get apprentices who are working for those companies explaining to other kids and parents and teachers the benefits of undertaking an apprenticeship.

*Mr Kenyon:* I think you are right. A couple of things we looked at in the original taskforce was the supply chain relationships as well, whether your suppliers are using apprenticeships. The other thing that we wanted to try to do was to get some sort of interactive employer/young people national database system

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so if you are a young person interested in an apprenticeship you can log in, and most young people these days are IT literate, and you get employers and you get some sort of matching of what is required in your particular sector. Do you want to be an apprentice in a large organisation or a small organisation? It was the point when Lord Turner was here that there are certainly more young people who want apprenticeships than there are places available from employers. It is employers that we have to be prodding, hence the network. But some sort of system whereby apprenticeships are elevated so this is important and a clear role of what an apprenticeship is about and you can see if you can get one in your area, see who gets them in your sector, that sort of information. You are right but I cannot think of any organisation that engages well with SMEs. Any representative organisation always finds difficulty in engaging with SMEs. SMEs are worried about their order book, all that sort of stuff.

**Q417 Lord Kingsdown:** Can you say how confident employers are that these Sector Skills Councils are going to be able to construct apprenticeship qualifications that correspond more closely to the needs of business as envisaged by Lord Leitch?

*Sir Roy Gardner:* Our experience of SSCs matches that of Lord Leitch: there are some which are better than others. They should actually represent the authoritative voice of their sectors and in my view the approach to skills and apprenticeships must be on a sectoral basis and that is something that Lord Leitch supports. The SSCs are employer-led, so they should be able to deliver what employers actually want in their sectors. It is a major challenge, as we have said several times, for SSCs to engage with SMEs, because they are small and they are pretty busy and they have other things to do. The other issue is that the qualifications which are developed need to be attractive to businesses of all sizes, not one size fits all, and that is very important. The SSCs have a good opportunity here to share best practice and they can actually help to drive up completion rates.

*Mr Price:* ConstructionSkills can point to evidence of employer confidence in its role as a Sector Skills Council. This will build as employers become more aware of the current SSC achievements and planned future actions and obviously the Leitch review and build upon that and implement that then within the sector.

*Mr Kenyon:* May I just make one point? I heard Lord Leitch talking earlier about the new commission and the fact that it would manage—I think that was the phrase he used—SSCs but that it had this over-arching strategic view of what was happening in delivery. There seems to me to be a conflict there. I do not see how a commission can have this big picture, over-arching, strategic view. I imagine the new chief

executive appointed looking at the big stuff, and then on a day-to-day basis be managing 25 or maybe a smaller number of SSCs. There just seems to me to be a bit of a conflict there. But that is what Lord Leitch saw as the answer to this question that Sir Roy has answered about the good, the bad and the ugly SSCs. I am not quite sure the commission is the right place, but I am not for one moment suggesting that we form another agency and I would like to see a “Scrap an agency a year” sort of—

**Chairman:** That is a very good point. It had crossed my mind but it is nice to have it on the record that there is an issue there.

**Q418 Lord Lawson of Blaby:** On these apprenticeships, I am slightly puzzled by the evidence we have had this afternoon that apprenticeships are going up.

*Mr Kenyon:* There is a slight dip at the moment actually; just a slight dip.

**Q419 Lord Lawson of Blaby:** Exactly. There is a fall of about 13 per cent. According to the *Financial Times* of 28 March, taking figures from the DfES, the number of basic apprenticeships fell by 12 per cent from January 2006 to January 2007 and advanced apprenticeships fell by 4.2 per cent. Sorry, it is less than I said but it is still a significant fall. I wonder whether you feel that that is just one of these fluctuations there always are from year to year or whether it is perhaps a matter of concern.

*Sir Roy Gardner:* If those are the numbers—and I have not seen the numbers for 2007—that would be a matter of concern because since the year 2000 we have seen a steady increase in the number of apprentices, in fact they have gone up over 20 per cent in that period.

*Mr Kenyon:* That is right. It is Level 3s, the advanced apprenticeships, which we need to worry about. Those are the numbers which cause me more concern, that we push more people up. I am not here to re-run Lord Leitch’s evidence, but Lord Leitch himself was recognising that we need to get more—

**Q420 Lord Lawson of Blaby:** On the advanced apprenticeships, there is a 4.2 per cent reduction over the past year, continuing a long-term trend that has seen them decline by 53 per cent since January 2001. That is quite a significant decline, unless the *Financial Times* has got it all wrong.

*Mr Kenyon:* We can check the numbers.

**Q421 Chairman:** Can I get this right? We are also in a situation where there are more people wanting apprenticeships than employers.

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*Sir Roy Gardner:* Yes; exactly right.

**Q422 Chairman:** If the numbers have gone down, it is probably because employers are finding it difficult to find places for them. Is that right?

*Sir Roy Gardner:* Yes.

**Q423 Chairman:** I wonder whether I might ask you another question. Are their sufficient safeguards in place to protect the interests of young people on apprenticeship programmes or is there a case for a statutory framework?

*Sir Roy Gardner:* Well, apart from issues of pay, where apprentices are exempt from minimum wage regulations, we think they should be basically treated broadly in line with other employees. However, there is a need to strike a balance between health and safety issues and also the opportunity to give apprentices work experience that is relevant. There is an expectation, of course, from some apprentices, probably somewhat outdated, that once they have started their training, they should be employed until it is completed, pretty similar to the old indentures, whereas there are many SMEs who work on very short order books, sometimes as short as three months.

**Q424 Chairman:** Concluding from what you say, if there is a shortage of employers, an additional statutory requirement is not going to help, is it?

*Sir Roy Gardner:* It is not going to help.

*Mr Kenyon:* This is the Cassells review—and Lord Layard is not here today—but that was recommending that there was some sort of statutory definition like in Germany and other European countries of what employers have to do and what apprentices have to do. I am really echoing Sir Roy's comment: we do not think that is desirable, necessary or really helps matters.

*Mr Price:* We do have an arrangement in construction that works well and could or should apply to all. It is the CAS scheme, which is the Construction Apprenticeship Scheme. It is there to protect the interests of the trainees and the employer

can only receive grant once the documentation has been signed and returned. We do offer payment to redundant apprentices to continue learning whilst we source new employers, so there is an umbrella there that does try to bring that together. That type of foundation may be something that we can build upon.

**Q425 Lord Macdonald of Tradeston:** I am just wondering what importance employers attach to building a strong route through to Foundation Degree from apprenticeship. Can you build that route? Should you build that route?

*Sir Roy Gardner:* We think so; we think it is an important area. We are anxious to see well-established progression routes through to higher education. It is important in ensuring that the applied learning route is seen as a credible alternative to the academic route and, of course, there is a history of apprentices going on to higher education. The accepted route is from ONC to HNC to HND and then maybe a degree or a professional qualification. We are very much supportive of that. In fact I have written to the higher education minister and we want to know how many young people from a vocational background are actually applying to enter into higher education and how many actually do so. We also wanted to ensure that apprenticeships are seen as an alternative route and that the UCAS point system recognises that.

**Q426 Lord Macdonald of Tradeston:** Have you had a reply from them?

*Sir Roy Gardner:* Not yet; the information is coming.

*Mr Kenyon:* I do not think the data is readily available actually.

**Q427 Chairman:** May I say thank you very much for coming to give evidence. There was a sort of air of practical knowledge and experience that came over in your answers which we much appreciated.

*Sir Roy Gardner:* Thank you very much. We are very committed and we are going to do our best to ensure that apprenticeships grow.

**Chairman:** Thank you very much.

# Written Evidence

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## Memorandum by Amicus

### EXECUTIVE SUMMARY

- Amicus believes that current Government policy regarding the unskilled young is not working.
- The youth labour market has changed significantly over the past 20 years, moving from skilled or semi skilled full time manufacturing, craft and agricultural jobs to part time unskilled service sector jobs.
- Youth unemployment is a feature of the economies of the countries throughout Europe, even though there is a decline in the numbers of young people available for work.
- Young unskilled people face incredibly tough competition for jobs. This competition comes from women, older workers, migrant labour and students.
- There are 716,000 young people in the UK labour market who are economically active and in full time education. Research has shown that students are crowding out non-students from the labour market in some industrial sectors.
- The decline in manufacturing jobs in the UK has exacerbated the youth unemployment situation. Previously many young people would have entered the workplace via an apprenticeship or “junior worker” scheme.
- All young people should be provided with a career map or strategy to enable them to see how they can achieve their true potential.
- There needs to be a cultural change in the way families view their aspirations for their children. This can only be achieved through education, information and support.
- Trade unions have a strategic role to play in raising awareness of learning, skills and educational achievement. This could help facilitate the aspirational cultural change that is needed.
- Government policy regarding the unskilled young requires a holistic approach that includes the person, the family, the community and the school.
- Amicus is clear that further extensive research needs to be undertaken on this subject.

### 1. INTRODUCTION

1.1 The relationship between young people and their transition from school to work has historically been one of a series of choices dependent on their education, academic ability or propensity for work. The changes that have happened to the economy, industry and labour force of the UK has meant that this process and strictly delineated path has changed significantly for many young people and for some of the path and process no longer exists at all.

1.2 Amicus believes that for many young people it is either very difficult for them to secure long term employment when they leave school because they do not have the necessary skills or they are so adrift from what is happening in the workplace and industry that they have no idea how to access training or go about finding employment. We believe that a root and branch review of secondary education is required to see exactly why these young people are not engaging with education, training or work.

### 2. GOVERNMENT POLICY

2.1 When the present Labour Government came to power in 1997, they implemented a massive programme aimed at seeking out and addressing the causes and processes of “social exclusion”. Young people in particular were targeted for a raft of policy initiatives and the policy document “Opportunities for All”<sup>1</sup> outlined the Governments concerns around the “cycle of disadvantage” whereby social and economic disadvantage seemed to be passed on in families from one generation to the next, regardless of educational opportunity and any increase in economic affluence.

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<sup>1</sup> <http://www.archive.official-documents.co.uk/document/cm44/4479/chap4.htm>

2.2 The extension of educational opportunities and welfare to work programme were designed to prevent the educational, economic and social disadvantage of one generation being carried relentlessly into the next generation. This focus on educational opportunity and schemes to get people into work came at a time of unprecedented economic growth in the UK, where unemployment levels and inflation dropped to an all time low. It was clear that while some people were enjoying the benefits of this economic growth and expansion in education and training, others were struggling to become a part of the knowledge economy and reap the benefits and opportunities on offer.

2.3 Amicus, like many other trade unions has a vested interest in seeing all sectors of society enjoying the economic opportunities and meritocratic system that the present Government is working to project. These young people are potential trade union members of tomorrow and Amicus has a sophisticated and extensive Learning, Skills and Education Department, which is working wholeheartedly to support its members with their learning and skills requirements and encouraging them to participate in the Life Long Learning agenda. Amicus also has extensive experience of working with employers to provide training, skills and personal development for workers.

### 3. UK UNEMPLOYMENT AND SKILLS

3.1 In any discussion about the UK labour force, the link to the wider economy and globalisation cannot be ignored. GDP growth in the UK is expected to continue its rise going from 2.5 per cent to 2.75 per cent in 2007, supported in the main by increased domestic demand. However exceptionally strong labour force growth, which has been driven upwards by high immigration and rising participation is currently outstripping employment growth pushing the unemployment rate up but keeping inflation down. The unemployment rate was 5.6 per cent in the three months to September 2006, up marginally on the previous three months and up 0.8 per cent on the year.<sup>2</sup> Although the overall economic scene is good news for the Treasury it is not so good for those on the margins of work who are trying to become more economically active.

### 4. ECONOMIC ACTIVITY AND INACTIVITY

4.1 The Office for National Statistics provides evidentiary statistics to show the numbers of young people who are either in full time education (FTE) or not, under the headings of economically active, unemployed and economically inactive. For example, of all 18–24 year olds who are economically inactive, half a million are also not in full time education. The statistics also give us some information on the numbers of full time students who are also working. There are 716,000 young people who are economically active and are also in full time education.<sup>3</sup> This is a significant statistic in relation to the numbers of low skilled jobs currently available to young people with little or no skills and shows that employers in the service industry do not have to resort to employing young, unskilled, inexperienced people when they have a ready pool of alternative labour.

4.2 Youth unemployment is a feature of the economies of countries throughout Europe, even though there is a decline in the numbers of young people available for work. Young people face extensive competition for the jobs that they are able to undertake. This is mainly due to a very mobile labour force made up of migrant labour from the former eastern bloc countries, older workers and females returning to work, as well as students.

4.3 This shows that as the better qualified young people stay on in education and training, the youth labour market becomes increasingly polarised and marginalised for the less qualified and less experienced candidates. As each year passes this polarisation becomes more and more pronounced and it is clear that government policy initiatives such as New Deal have not done enough to alleviate the problems of some young people finding and keeping worthwhile, fulfilling work.

4.4 In June 2006, the unemployment rate for under-25s was 16.5 per cent in the euro area and 17.4 per cent in the EU25.<sup>4</sup> The lowest rates for under-25s was recorded in the Netherlands (5.8 per cent), Denmark (7.4 per cent), Ireland (8.1 per cent) and Estonia (9.2 per cent), the highest levels were in Poland (32.3 per cent), Slovakia (29.7 per cent) and Greece (26.4 per cent).<sup>5</sup> The problem of young unemployed males is not as pronounced in the rest of Europe as it is in the UK. Amicus believes this could be due to the way some families in the UK restrict their aspirations for their children in relation to education and training.<sup>6</sup> There needs to be a cultural shift to a learning agenda and there are also significant differences in European labour laws and economic policy in relation to young people.<sup>7</sup>

<sup>2</sup> <http://www.statistics.gov.uk>

<sup>3</sup> Office for National Statistics, Labour Market Trends, December 2006.

<sup>4</sup> Euroindicators Newsletter, August 2006.

<sup>5</sup> *Ibid.*

<sup>6</sup> Joseph Rowntree Foundation, Diverging Paths to Adulthood, page 3.

<sup>7</sup> Industrial Relations and Labour Legislation in Finland, p 33.

## 5. CHANGES IN THE LABOUR MARKET

5.1 The most fundamental long-term shift in the UK labour market has been the growth of the service sector and the decline in manufacturing and agricultural employment. The decline in manufacturing has resulted in the loss of thousands of traditional craft jobs (including apprenticeships) which in the past were important routes into the labour market for young people, particularly men.<sup>8</sup> Apprenticeships meant that young workers were sheltered from competition from adults, a situation that is completely different in the labour market today.

5.2 While jobs in the traditional industries were full time, the shift into the service and sales sector means employment has had to change to accommodate this, and part-time and shift working is now the norm. The growth in these sectors has also created a rise in the higher level white collar occupations and a decline in those manual occupations traditionally carried out by men. In terms of economic activity, women and students have been the significant benefactors of this rise in the service sector, as have people from minority ethnic backgrounds.<sup>9</sup> Research has shown that young people who left school in 1995 experienced less unemployment than those 10 years earlier and this has now reversed with a hard core of young people aged between 16 and 19 years experiencing higher levels of cyclical unemployment now than 15 years ago.<sup>10</sup>

5.3 Young males, particularly those with low or no qualifications are excluded from these occupations and also from those new apprenticeships that are now on offer. In the past someone entering an apprenticeship would almost certainly have no higher level qualifications, maybe two basic CSEs. Now, employers will only offer apprenticeships to very able candidates who show by their level of qualifications (4–5 GCSE's, grades A–C) that they are capable of undertaking the training required and also have the level of commitment employers now seek as a matter of course.

5.4 Some young people leave school without the basic NVQ Level 2 qualifications that means they do not have basic literacy and numeracy skills. Amicus is concerned that this absence of basic skills is denying young people the opportunities that should be open to them and is also affecting industry and productivity. In 2002–03 there were 258,000 apprentices, by 2004–05 that figure has dropped to 190,000.<sup>11</sup> This reduction is contrary to what Lord Leitch has recommended in his 2006 report. He has asked for 500,000 apprentices as a way of ensuring that the skills gap is filled in the future.<sup>12</sup>

## 6. SUMMARY

6.1 Amicus believes that it is young unemployed people who have been most affected by the current changes in the labour market, the jobs they traditionally entered into no longer exist to the same extent. The opportunity of starting at the bottom and working up a career ladder is now a less viable option. They also face increased competition for lower level service work from adult women, older workers, migrant labour and more importantly students in full and part-time education.

6.2 The UK has one of the highest proportions of student participation in the labour market in Europe and Amicus believes that there are specific reasons for this growth in student employment. The first is the broad changes that have been brought about in the service sector with Sunday and in some cases 24 hour trading, requiring a large and flexible labour force. The second is the impact of the introduction of student loans and top-up fees in England. Not only has this created an increase in the need for students to work on a fiscal basis but has also meant that for the first time the OECD has recorded a decrease in the applications for entry into higher education in the UK.<sup>13</sup> Amicus believes that it is these two points in particular and not just the influx of migrant labour that has reinforced the marginalisation of young unskilled people in the labour market.<sup>14</sup>

6.3 The significant changes in the youth market have polarised young people in their attempts to find and keep work. Their experiences are not replicated by other low skilled workers. Older workers often have previous work experience to draw on and at the lower service level the transference of skills is feasible.

6.4 Employers have greater expectations because of the flexible labour force and are keen to employ workers that can “hit the floor running”. Young workers are not in a position to do this. Amicus believes that part of the problem could be because some young people no longer undertake any part-time work when they are at school, for instance a Saturday or holiday job and as a consequence they are not “socialised” into the world of work, communicating with adults and working under direction.

<sup>8</sup> Institute for Employment Research Bulletin, Number 64—University of Warwick Publication.

<sup>9</sup> *Ibid*, page 3.

<sup>10</sup> *Ibid*, page 1.

<sup>11</sup> Engineering UK 2006.

<sup>12</sup> Prosperity for all in the Global Economy—World Class Skills 2006.

<sup>13</sup> OECD, Education at a Glance 2006, p 1.

<sup>14</sup> Dr Angela Canny, Institute for Economic Research Bulletin, page 3. University of Warwick Publication.

6.5 For many young people their lives and relationships with others consist of a series of linear relationships that do not include adults or work based scenarios. Amicus is clear that a structured programme of socialisation for work is required before young people leave school. This could include voluntary work; learn to work programmes in school or other types of initiatives that will enable young people to acquire the confidence and “soft” skills needed to access work. There also needs to be a concerted approach to explaining to young people the economic and social rewards of entering further education or vocational training.

6.6 Even where employers are engaged in training young people, the drop out rate among UK Apprentices is of concern to Amicus. Research in 2006 by the ESRC has found that “on average only 39 per cent of apprentices in the UK complete their training compared to between 60 per cent and 75 per cent in Germany, Denmark and the Netherlands”. Where in the past an employer might have recruited an Apprentice, today they want a young worker to become as productive as possible, in as little time as possible. This not only undermines the Apprenticeship scheme, as the “training” tends to be unaccredited, but will lead to an environment where, as young people replace older qualified workers who undertook an Apprenticeship after school, the skill set of an organisation will be inadequate to deal with the competitive pressures from cheap labour overseas.

6.7 This, short-sighted approach, towards the development of workers is evident elsewhere across the UK economy in relation to skills and unless employers pay more attention to the longer term objectives of their organisation and its workforce, the situation will continue to deteriorate. Trade Unions can help employers achieve this but are unable within the current legislative framework.

6.8 It is widely recognised that Trade Unions have a positive impact upon the uptake of training and, by Union Learning Representatives supporting individuals, the ongoing commitment from individuals to continue with their learning. However, under the Government’s current policy, Trade Unions must rely on an employer’s willingness to engage with them over training

6.9 If the Government’s ambitions, in relation to young people, are to be achieved then Trade Unions must have access to a greater number of non-traditional workplaces and sectors so that the benefits, derived from Trade Union involvement, are open to all workers, especially the young. Furthermore Amicus believes that the “voluntarist” system of training has proved incapable of improving the skills of the working population and that the Government must move towards an environment where it is not solely at the discretion of employers whether they train young people. Young people have a right to expect training and development at work and, if we are to achieve the learning culture in the UK that the Government seeks, employers must be compelled to act and they must involve Trade Unions in this process.

## 7. AMICUS RECOMMENDATIONS

7.1 Education is seen as the principle means to overcome poverty and disadvantage. For this to become a reality young people and their families need to engage in education and training rather than a young person entering the impoverished youth labour market. To facilitate this Amicus believes there needs to be a concerted careers strategy or map for every young person in the country. In this way a young person can see what they need to do to achieve their true potential.

7.2 There needs to be a cultural change in the way some families view the path their children will follow. Many families mistakenly believe that there will be a job for a young person to do when they leave school at 16, believing that those low skilled manual jobs of the past still exist. It is because of these outdated beliefs that families need support to enable them to revise their aspirations for their children and encourage young people to recognise the importance of education and training.

7.3 Trade unions could have an integral role to play in the implementing of the cultural change needed for the acceptance of a learning and skills agenda. Amicus alone has 1.3 million members. With the full scale implementation of the Union Learning Representative scheme, unions have been instrumental in providing or igniting the possibilities of further education and skills to employed workers.

7.4 Trade unions could easily do the same for young people currently on the fringes of society with no hope of ever becoming fully functioning citizens. This could be achieved by a Government supported scheme whereby workers are encouraged to revise their aspirations for their children via their own ability and capacity to embrace further learning. This is not a “quick fix” and can only be achieved over time.

7.5 Amicus believes that there is no excuse for young people of 16 to come out of school and not have achieved level 2 qualifications. This basic standard would equip them with the tools they need to go on to other training and skills acquisition, and enable them to access the world of work. Employers have consistently stated that this is the basic level of education they require from a new starter. It is clear that there are very few work alternatives where education and training do not play a pivotal role.

7.6 Amicus also believes that young people need to be supported when entering the workplace and that employers should be prepared to take on the vocational training for all young people entering their first jobs.

7.7 If Government is committed to policy changes to help young unskilled people then they need to look hard at the whole policy approach to this age group. Amicus believes that many current policies are based on outdated assumptions about young people and do not include the family and community context of young people's lives.

7.8 Amicus is clear that further stringent research is required in this area. Although many of the existing economic structures and labour force issues have remained, there has also been significant pressure from other sources within the economy and labour market that have meant that Government initiatives have not been as successful as originally anticipated.

7.9 With the erosion of state support for students, the personal investment in higher education is at an all time high. This makes it difficult for young people to take very serious economic decisions about their future, the benefits of which are not always immediately apparent to 14–19 year olds. Amicus believes another way has to be found to financially support the UK higher education system. This could include bursaries, scholarships and an increase in National Insurance top end rates.

7.10 Amicus understands the importance of implementing a process of strategic change as soon as possible. The Leitch Review of Skills and Training 2006<sup>15</sup> was a long time coming (commissioned in 2004) and did not tell us anything we did not already know. The report has made some significant recommendations regarding adult skills and training, but like all Government policy the important part will be in the implementation of the report recommendations.

7.11 However without compulsion on employers to train, or to work in partnership with Trade Unions in this area, the Government's objectives are unrealistic. Amicus would like to see the introduction of legislation to compel employers to train and for them to do this in conjunction with trade unions via collective bargaining. This approach will ensure that the UK is able to compete with its overseas competitors in the decades to come. This will also allow workers and employers in the non-traditional sectors of the economy access to the expertise and support from Trade Unions. All young workers will then have the opportunity to experience the advantages of social dialogue between their Trade Union and their employer, and so benefit from the support and vast experience of the Union Learning Representative network.

7.12 It is important that the UK Government heeds the advice of Lord Leitch and UK industry in addressing the issues inherent within the education and skills sector. Until this is done there is very little that will aid those young workers who have been let down by the education system in this country and are consistently marginalised.

8 January 2007

**Memorandum by Professor David N Ashton, Centre for Labour Market Studies,  
University of Leicester**

1. This evidence addresses the question, "How effective are current apprenticeship arrangements? Are new approaches needed? It covers aspects of questions 6, 7, 8 and 9 in the "Call for Evidence" document 26 October 2006. In particular it focuses on the question of how UK policy initiatives compare with policies adopted in other EU countries and the USA and the lessons to be learnt from such comparisons. It is based on two research projects with which the author has an involvement.<sup>15</sup>

2. Having researched the policies of the USA, Germany, France and the Netherlands in the EU as well as those in Australia, New Zealand, Singapore and South Africa (Sung, Raddon and Ashton, 2006) we found that the UK system exhibits a number of institutional failings. These are:

- a failure to respond to the needs of employers;
- a failure to engage employers in the process of specifying skill needs and the design of the training curriculum; and
- a lack of legitimacy of the qualifications among young people and employees.

3. While the UK system of initial training is currently responsive to the government's agenda it is not responsive to the needs of the market. Our research revealed how other countries, notably the Netherlands, had created "world class" training programmes responsive to employers' needs and to changes taking place in the economy, while at the same time having legitimacy among employees and delivering qualifications that

<sup>15</sup> The main source of information for this submission is derived from a project funded by the SSDA and reported in: Sung, J Raddon A and Ashton, D N (2006) "Skills Abroad: A comparative assessment of international policy approaches to skills leading to the development of policy recommendations for the UK", SSDA Research Report 16. This can be downloaded from: <http://www.ssda.org.uk/ssda/default.aspx?page=41>

were embedded in the realities of the workplace. We were able to identify three fundamental features which characterised such successful systems.

4. The first is to ensure that the identification of skill needs is made at a level that is meaningful for employers. The second is to develop an institutional structure that is capable of enabling employers, in association with employee representatives, to determine the content of learning and training syllabi that is relevant to the workplace. The third is to ensure that such a framework delivers the skills required for tomorrow. The first two of these elements, if implemented, create a system that is responsive to the needs of employers and individuals, the third will ensure that the system drives up skill demands and improves competitiveness in line with the changing requirements of global markets.

5. The identification of skill needs of employers and individuals is an essential pre-requisite for an effective national system of delivery. These need to be located at the sector level. This is because there are many skills that are specific to industry groups. Global markets for automobiles, financial services and electronics are changing fast and they generate different requirements from the companies that compete in them. Other industries, such as real estate and retail face a predominantly domestic markets where again competitive pressures are differently structured (Ashton, Brown and Lauder, 2006). To capture these differences and deliver appropriate skills to young people entering the labour market requires a system that is sensitive to sector differences and can build them into a national approach. This means establishing institutions that are sector based and led by employers. This will ensure that the approaches to training and learning are cognizant of the needs of employers.

6. The second element, namely building an institutional structure that is capable of enabling employer and worker representatives to shape training and learning in the workplace, requires the government to ensure that these employer-led bodies have the resources and powers to shape the training that is undertaken by training suppliers as well as by employers themselves. This involves providing employers, in association with unions and professional bodies, with influence over the public financial resources used to fund training. International comparisons show that without some influence over the use of funds for training places the employer-led bodies play only a marginal role in developing the public training system. In the UK they can advise, but that this is all they can do. If we are to have a system of training for young adults that is responsive to market demands for skills then employers, in association with workers representatives, need to be able to shape its operation. This happens in New Zealand and the Netherlands where the public money for training is channelled through employer-led sector skills councils. These stand out as among the most successful and responsive systems in operation.

7. Sector councils should also be given the responsibility for controlling the curriculum which determines the learning/training content of vocational qualifications. This control is crucial if the training provided by colleges and other providers is to reflect the current needs of employers. It is achieved by placing the responsibility for the design of vocational qualifications with employer-led bodies such as sector councils, a step that ensures the content of training is in accordance with the requirements of today's workplace. The theoretical content of the curriculum should be delivered by colleges or by private providers, with employers providing the practical work-based component. Giving employers (via sectoral bodies) the main input into the curriculum ensures that it stays in line with the changes taking place in the industry and workplace.

8. There is a well-recognised danger with any system that provides employers with direct and unfettered control over the demand and supply of training that it will only cater for their immediate skill needs. This is a problem that is likely to be amplified by employers operating today's lean and flexible organisations. The result is that while such training will enhance the short-term efficiency and competitiveness of companies and other organisations, it will not necessarily meet the needs of the individual employees for personal development and for a recognition of the transfer value of their knowledge in the labour market should they wish to change jobs. This is an important issue because any publicly funded institution has also to be responsible for the needs of individual employees and to be seen as legitimate by the labour force if they are to buy into it. For this reason we stress the need for employee involvement in the decision making concerning the allocation of funds for training as well as those concerning the content of the curriculum. The Netherlands provides an example of how this is done. The Dutch sector skills councils engage in a bi-annual process of negotiations with the unions over the content of the curriculum. This takes place for a period of two weeks after which the agreement becomes the foundation of the new curriculum. An alternative strategy is to make personal learning accounts available. Such an approach was tried in the UK but abandoned after problems of implementation. However, the French and the Dutch are currently exploring a variant of this approach.

9. It is also important that control over the funding and the curriculum are kept together as the responsibility of the employer-led councils in order that the supply and demand of training places is co-ordinated in the market. In Australia employers determine the curriculum (at the national level), but the delivery of that curriculum and the number and type of training places that are generated is determined by the colleges (at the

state level) who respond to the demand from young people. The result is an over-supply of some types of popular training, eg hairdressers, and a persistent shortage of other less popular skills. The UK faces a similar problem, but here the government, through its system of targets, generates a demand from the colleges for level 2 qualifications while employers face a shortage of level 3. Unless the employer-led bodies shape both the supply and demand then such imbalances are likely to be a persistent feature of any system.

10. The third feature of successful systems of training is a mechanism to ensure that the system as a whole can identify and deliver tomorrow's skills. This is also crucial if we are to have a system that drives up the demand for skills and ensures that the labour force is equipped with the skills required for the emergent competition in world markets. In a period of globalisation the future viability of even successful companies cannot be taken for granted. This means that employer-led bodies have to perform two further functions. First they need to have the capability to identify changes in the structure of competition in world markets and identify trends in productivity improvements and business practices. Second they need to be able to transfer that knowledge to companies in order that they are equipped to respond effectively to them. Such a response will then generate the skill requirements not just for today but also for tomorrow.

11. These capabilities are even more important in this new phase of global competition because the new transnational corporations have the ability to develop the skills of their labour force in any country, independently of the system of local training provision. Our research on the skill strategies of these multinational corporations has revealed how they are able to move their production, and develop the skills required for it, to any country with a basic educational infrastructure. However, as these companies are also the leading edge of change it is crucial that their expertise is "locked" into the UK's national system if that system is to be able to identify the new skills and deliver them to the nations' young people. The only way this can be done is to ensure that such companies are involved in the type of employer-led bodies outlined above. If we fail to involve them in organising the content and delivery of training we lose the ability to create a system that will respond to tomorrow's skills.

22 December 2006

### Memorandum by the Association of Learning Providers

#### INTRODUCTION

The Association of Learning Providers (ALP) represents the interests of a range of organisations delivering state-funded vocational learning. The majority of our 440 member organisations are independent providers holding contracts with the Learning and Skills Council (LSC) for the delivery of Apprenticeships programmes, with 110 delivering Jobcentre Plus (JCP) provision and 50 contracted to Ufi for the delivery of learndirect. We do, however, also have circa 60 colleges in membership. In addition to these members, we have a number of non-delivery organisations such as the ALI and QCA as Associate Members, which means that ALP offers a well rounded and comprehensive perspective and insight on matters relating to its remit.

We believe therefore that we are in a strong position to pass comment on some aspects of your current inquiry, to both state the position of ALP and its members, and to provide debate and discussion material for your consideration.

In this response we have restricted our comments to those questions specifically related to our role as the representative organisation for providers of vocational learning. We would be delighted to give oral evidence to the committee should this be required.

#### THE ISSUES, FROM THE PROVIDER PERSPECTIVE

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

We have to say that some training programmes have failed to provide their learners with appropriate skills. We hear of many young people that would be better suited to the work based route being steered towards staying on in school or going on to college. We believe that many of these young people are not getting the truly independent and impartial careers information, advice and guidance (IAG) they need to make the right choice of route. All young people, regardless of ability, need this independent IAG—and need it at a far earlier stage than tends to be the case for most young people currently. Too often schools fail to ensure their pupils (especially the higher achievers) get independent IAG, preferring instead to try to persuade them to stay on

at school. We have even been told of some schools that actually do not allow work based options to be brought to the attention of their pupils.

We believe that the move to put careers guidance to schools/Children's Trusts is disastrous—there are too many vested interests involved. The only solution is a completely impartial IAG universally available to ensure best choice of pathway chosen.

Even young people who take the decision to leave school and seek an alternative route are not always pointed to the best way forward for their abilities and aspirations. Many simply enrol at the local college, often onto an inappropriate course, sometimes leading to qualifications employers do not value/want. In fact, some college courses now designated as "Programme Led Apprenticeships" are not preparing the young person adequately to move on to an Employer Led Apprenticeship. They finish their "course" but are unable to progress further without "remedial" action if they are to enter into the work based route successfully. This is not effective use of taxpayers' money and can leave the young person disillusioned and much more likely to opt out of training completely.

Of particular concern to our members is the lack of a proper and effective "Foundation Learning" strategy. Many young people leaving school lack the basic skills necessary for employment—they are all too often simply not ready even for Entry to Employment (E2E), the recognised "pre-Apprenticeship" programme, but at this time no realistic alternative option is available. As a result many are ending up in the Not in Education, Employment or Training (NEET) group—indeed statistics are showing that the number of NEETs has been steadily rising despite all the government's efforts raise skills levels, particularly for young people. ALP produced a paper expressing its concern for the future of this group of young people in August 2004, a copy of which is attached to this document. (*not printed*)

Rather than trying to predict what specific skills might be needed in the future—a singularly futile exercise if past experience is anything to go by—there needs to be a focus on developing the basic and more "generic" skills during statutory education and then to concentrate on job specific skills in the workplace. It is essential that policy initiatives and implementation strategies can respond swiftly to demand, from both individual and employer. Whilst strategies can often all too easily seem to become supply side driven, it is also clear that greater involvement of practitioners is needed from the earliest stages of their development, to ensure that they are workable, and do not have unintended (damaging) consequences elsewhere. Currently we are very concerned that the development of the new specialist diplomas is going off in the wrong direction.

There is a real and widely held fear that the concept of specialist diplomas, which was designed to introduce young people to the type of vocational training they would all have to tackle at some stage (including graduates) and actually start to develop some usable skills, is being high-jacked by the world of general education. They are in danger of becoming just another academically based part of the curriculum, offering students a "knowledge of" skills and work. To be successful they need the widespread involvement of employers in a "real work environment" offering a valuable "world of work" introduction to all students, together with a rigorous and more detailed introduction to skills for the many at age 14 who would be better suited to a vocational, rather than academically based, curriculum. The providers who have this employer contact and involvement at the core of their operations are work based learning (WBL) providers. These are predominantly independent providers, but do include a proportion of FE colleges. Currently the 14–16 Partnerships that are being formed to develop this exciting and vital new curriculum are predominantly based around schools and colleges, with many schools feeling they can do it themselves, and indeed "go it alone". The lack of automatic involvement of WBL providers, bringing with them the employers so vital for this key initiative to be successful, will lead to the failure yet again to bring the concept of vocational/skill development that every youngster will eventually have to embrace into the core curriculum for all 14–16 year olds.

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

We firmly believe that properly implemented Apprenticeships are one of the best options for developing the skills of many young people. There is an additional advantage that Apprentices are actually in employment as they develop these skills, a fact often not fully realised by those outside the sector. Our surveys have indicated that many more employers would like to become involved in Apprenticeships but current funding restrictions are preventing many from participating. Age restrictions are also adversely affecting take up—this is leaving many young people under the age of 25 unable to get on a suitable programme and many of their employers disillusioned with the system. Apprenticeships are the most truly demand led skills delivery programme there is—an employer and young person seeking training for a labour market based skill need already identified as economically necessary. Too often unnecessary barriers are put in the way and motivated

young people and employers are “turned off”, and much needed training fails to take place. Employers put off from Apprenticeships all too often offer only limited training targeted at their own sort term employer need rather than a comprehensive Apprenticeship programme with its broader, more transferable, elements included.

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

It is totally unsatisfactory for young people to suffer poor quality training simply because the nettle has not been grasped and action taken to remove poor provision. This must be tackled as a priority—poor provision gives the whole sector a bad name and can leave vulnerable young people unable to achieve their full potential. At the same time coasting provision must be given notice to improve—with a strict deadline to achieve any improvements required. All our young people deserve an excellent start to their working life.

It is not right for any part of the delivery sector to be artificially protected. Decisions should be taken with a view to ensuring high quality training is available for all young people, and ideally allow them some choice of route or provider.

There should be more freedom for appropriate young people to undertake part-time vocational (work based) learning during statutory education. It will be important for schools to work, not just with colleges but also with work based learning providers, to offer their pupils the best “education” to suit their needs. This needs to be the core requirement of the developing specialist diplomas.

Finally, training provision must operate in a demand led market, responding to the real-time needs of employers. ALP has set out its thoughts on how this might be achieved in its paper—“Moving towards a real-time demand led system”, produced earlier this year at the request of the Learning and Skills Council and the Department for Education and Skills. A copy of this has also been attached to this document. (*not printed*)

29 December 2006

### **Memorandum by Aylesbury Training Group**

#### **INTRODUCTION**

1. The Chairman and Members of the Economic Affairs Committee visited Aylesbury Training Group (ATG) on 1 May 2007 as part of their enquiry into skills training. This submission is forwarded by ATG to provide some additional information that may be helpful to the Committee in their work and to provide some specific information on the funding arrangements for apprenticeships and NVQ programmes.

#### **THE PROVISION OF SKILLS TRAINING: SUPPLY OR DEMAND DRIVEN?**

2. During the Committee’s visit the issue of the “supply led” nature of skills training (usually “led” by training providers, such as ATG) or “demand pull”, usually described as the skills or abilities that are “demanded” by employers, arose at several points. This has also been explored in the Committee’s published evidence.

3. From the perspective of a training provider, “providing” training is rather like providing insurance; few people seek to acquire it unless prompted. Much of the UK workforce is employed by SMEs and this sector is widely recognised as difficult to engage in training and developing its staff. Training providers and some FE Colleges have developed expertise in engaging such companies in training. This is firmly the “supply led” model.

4. The Committee identified a possibility that this approach could lead to an employer becoming distant from the detail of the training programme but, in our experience this is not so. Few employers are willing to allow staff to participate on a training programme that will take up working time without first satisfying themselves that the content is appropriate to their needs. In our opinion, the identification of supply and demand models does not adequately address the rather complex arrangements that surround formal skills training programmes (primarily apprenticeships and NVQs).

5. The Committee visited a Care Home during its visit and that provided an example of a fairly typical situation. The company had used ATG’s services, and funding from ATG’s LSC contract, to enable ATG to train their staff. The company then used ATG’s services to train some of those staff to become in-company trainers (in the jargon, Assessors and Internal Verifiers). The company’s intention is to deploy those in-company trainers to take responsibility for training their own staff. At this point the in-company element of

ATG's work with that company will have been done. However, an apprenticeship is more than a practical skills qualification—it is more than solely an NVQ which is the practical element.

6. In this example the employees' progress on their NVQ will be managed, and delivered, by the company's own newly trained staff. The theoretical and academic elements of the apprenticeship, such as the Technical Certificate (a City and Guilds qualification in the Care Home example) and the Key Skills (Communication, Application of Number, ICT and other subjects) will continue to be delivered by ATG's tutors. The whole programme will continue to be funded through ATG's LSC contract. These taught elements of an apprenticeship will be carried out off-the-job at ATG's premises and, where appropriate, at the employer's premises. An additional benefit of the off-the-job teaching was articulated to the Committee by Mr James Peacock, the Care Home Manager. He explained the value that he had derived from studying the theoretical elements of his training programme in classes with managers from several different companies who were following the same qualification with ATG.

7. This is a fairly typical model for many companies. They often do not wish to be involved in the LSC's contractual arrangements, or simply have so few learners that such an arrangement would not be practical, or even permitted by the LSC. The LSC's contracting arrangements were described by Mr West, who gave evidence to the Committee on 30 January 2007, as "Byzantine".

8. The LSC currently contracts for skills training with a total of approximately 1,000 companies, training providers and colleges. The LSC's National Employers' Service (NES) contracts with large employers, described as 5,000 staff or more and operating in more than two regions, (Tesco, Rolls Royce and BP Oil for example). They also contract with large providers who service companies of all sizes but operate nationally (Carter & Carter plc and NTP Ltd for example), and specialist niche providers who operate nationally in particular industry sectors (ATG's cycle industry programme for example).

9. The annual cost of NES funded skills' training is £215 million from total LSC expenditure on skills training of £1,064 million (LSC figures). Therefore, approximately 80 per cent of the money is **not** spent on the staff in large companies, or by national providers training to them on behalf of the large companies. They would be contracted through the NES if they were. It would appear to follow that the 80 per cent is mainly spent on SMEs plus that group of companies between SME (up to 250 staff) and the LSC's "large company" definition of 5000 staff. Those SMEs, and that middle group of companies, primarily use training providers and colleges to implement their training programmes.

10. This approach may appear to fit the description of the "supply led" model. In practice it covers a multiplicity of approaches that have evolved primarily to suit the employers' needs, even though the training is provided (delivered) by training providers. This whole way of working is deeply embedded and has evolved over many years to meet real employer needs. It may be that another, different, way of working would be better, but changing it is likely to create significant uncertainty while something else is created. In our opinion, that change process would be unlikely to increase employers' engagement with training.

11. In 2002 the DFES conducted research on this topic, particularly some aspect of demand and supply models in training in Group Training Associations, such as ATG

#### APPRENTICESHIP FUNDING LEVELS AND ARRANGEMENTS

12. In its published evidence from its meeting with Professors Unwin and Fuller on 30 January 2007 the Committee may have understood that the sum paid to train an apprentice was £3000. Also, that a "small" sum was paid for a "start" payment and that there was also a "small completion payment". On the LSC's website at <http://readingroom.lsc.gov.uk/lsc/National/nat-fundingrates-changesfor0708-jan07.pdf> is a document giving full funding details but Tables B1, B2, B3 and B4 of the document provide the apprenticeship "framework rates". They show that the rates vary to reflect, primarily, the age of the apprentice at the start of the programme and, secondly, the business sector. The payments range from a low of £2,387 for an Apprentice in Customer Service aged 19 to 24, to £15,668 for an Advanced Apprentice in Engineering aged 16–18. The way in which this is paid is as follows:

- (a) The provider assesses the learner and estimates the length of time it will take him or her to complete the apprenticeship.
- (b) The equivalent to 25 per cent of total funding is withheld by the LSC.
- (c) The remaining 75 per cent is paid to the provider in equal monthly payments over the length of time it will take the learner to complete, as initially assessed.
- (d) If the learner takes longer than estimated then the provider continues working with the learner although the monthly funding ceases. The 25 per cent is still available at completion.

- (e) If the learner successfully competes early then the unpaid monthly sums are paid to the provider along with the 25 per cent.

13. We confirm that there is no “start” payment and in our opinion, setting the level at 25 per cent of the total for completion is well judged. It is neither so large that it reduces the provider’s cashflow by so much during the apprenticeship that a provider is encouraged to cut corners, nor so small that it fails to act as a sturdy encouragement to the provider to continue working with learners who take longer than originally estimated.

12 May 2007

### Memorandum by the British Chambers of Commerce

#### BCC RESPONSE

1.2 Representations from our member businesses tell us that many do not believe that enough young people entering the workplace have the necessary skills and aptitudes. Many employers find that levels of functional English and maths among employees are low and that soft-skills, such as timekeeping, communication skills and attitude, are lacking. According to recent BCC research published in *UK Skills: Making the Grade*, 55 per cent of our member employers are experiencing skills gaps in their workforce.

1.3 According to the Department for Education and Skills the basic standard necessary for productivity at work is a level 2 academic qualification with competence in English and maths. Currently only 45 per cent of young people have achieved this by the time they leave compulsory education at age 16. In addition, the UK has one of the highest proportions of young people not in education, employment or training in the industrialised nations.

1.4 Recent research undertaken by the BCC on the UK skills gap found that businesses are increasingly turning to migrant EU workers to fill skills shortages. While our member businesses are undoubtedly benefiting from the influx of migrant labour from Eastern Europe, we are concerned about the effect this will have over time on the domestic population—particularly on unskilled and low skilled people. Our survey found that over 60 per cent of our member businesses have employed migrant labour in the past year, mostly from Eastern Europe. Employers tell us that the reason they employ migrant workers is because of a short supply of candidates with the required skills and experience (45.2 per cent); because migrant workers have a better work ethic (23.3 per cent); and because migrant workers are more productive than UK equivalents (17.4 per cent).

1.5 We are aware from press articles, our research and representations from our members that migration is having a profound impact on the labour market in some communities. We believe that currently official information on the numbers of migrant workers employed in the UK is severely inadequate, with estimates varying wildly. The Government should conduct in depth analysis on this issue. We understand that in a number of areas, local authorities are looking to business to provide data on the number of migrants in their area because they themselves do not have the relevant information.

1.6 We are supportive of the Government’s plans to increase the age of compulsory education to 18. Statistically, those who gain a level 2 qualification are more likely to gain skills at higher levels. UK businesses face serious challenges from globalisation. If our economy is to continue to be competitive, more businesses need to move into higher value-added activity. In order to achieve this, employers need access to a highly skilled workforce. We believe that increasing the compulsory education age will help to achieve this. When the new age limit is implemented, however, Government must ensure that flexible options of learning, through work and training schemes, are on offer to those young people who do not suit more traditional methods of learning. Such schemes should be developed in partnership with employers.

1.7 Successful reform of the curriculum is necessary in order to ensure that the number of those staying on in education and training post-16 is increased. The new 14–19 diploma system must work. We do, however, have a number of concerns about the new route. We have fears about the ability of some Sector Skills Councils to undertake the development of the diplomas and to engage Small and Medium Sized Enterprises (SMEs) in this process. SME engagement in the design and delivery of the diploma route is essential as most young people will eventually become employed in smaller businesses. There are further challenges that need to be overcome if partnership working between schools, colleges and business is to be a success. SMEs particularly will need support in delivering the work experience element of the diploma.

1.8 Businesses support the Apprenticeship route in helping to prepare more young people for the world of work and Government plans to expand this provision. While many of our members have concerns that the Apprenticeship frameworks do not meet their needs effectively, they support the work that is being undertaken to update these. Other representations we have received tell us that employers have had to take young people

out of the scheme because they do not have the English and maths capabilities to complete the coursework element.

1.9 We firmly believe that high quality, impartial careers advice is absolutely necessary to ensure that more young people stay on in education, and get the most out of this experience by taking the path they are best suited to. It is essential that this advice is not tainted by parental or school bias.

### **Memorandum by the Centre for Public Policy Research<sup>16</sup>**

THIS SUBMISSION ADDRESSES QUESTIONS 6-10 OF THE INQUIRY ONLY

*What is the rationale of government policy in this area?*

The approach has generally been based on an attempt to increase the supply of relevant skills, based on assessment of employer demand (eg HM Treasury 2000). The issue of employer demand for skills has also been addressed through exhortation, the provision of financial incentives and, most recently, attempts to involve employers in the design and development of new qualifications.

*Has policy been based on a proper diagnosis of the problem?*

The Government's diagnosis has been that the problem is a supply side one, although in the last five years there has been an increasing recognition that supply side solutions do not have all the answers. However, a very considerable literature suggests that the main problem, if indeed it is a problem (at least from the employers' point of view), is employer demand for skills, rather than an inadequate supply of them (eg Ashton and Green 1996; Keep 2005). If this is the case, one could argue that policy has been directed to a problem whose importance has been greatly exaggerated, while policies that might have a considerable effect on employer demand for knowledge and skill have not been developed.

*Have appropriate remedies been devised?*

Largely no, since, if the diagnosis is not an accurate one, the remedies are largely, although not wholly, inappropriate. Supply side solutions have included the development of new kinds of qualification and routes towards qualification, such as the Apprenticeship Programme, together with incentives to young people to continue their studies and to employers to offer these new routes. These initiatives have had limited success. Some young people are resistant to what they perceive to be further academic routes into the labour market (Archer and Yamashita 2003). National Vocational Qualifications have been running for 20 years and, although the general philosophy behind them is largely popular with employers, they are seen, in some sectors, as unwieldy and costly to operate and often inappropriate to the skill requirements of the employer. Furthermore, they often require candidates to already be in employment before they can access the qualification, thus effectively placing a bar on labour market entry. Apprenticeships (formerly Modern Apprenticeships) are generally more rigorous in their requirements, but they have been beset by various limitations. These include a general shortage of places, poor completion rates, low penetration in non-traditional sectors and unhappiness amongst both employers and young people concerning the Key Skills element of these qualifications. In addition, the requirements for completion vary widely from sector to sector, giving the qualification poor credibility as an educational qualification and raising doubts concerning the value for money of the government subsidy that exists for this programme. Moreover, the three elements of the Apprenticeship: Key Skills, the NVQ and the Technical Certificate are often inadequately integrated with each other (see, for example, QCA 2004). Also, progression rates from level 2 to level 3 vocational qualifications are low and there is evidence from the government's own statistics that there is likely to be a limited demand for both level 2 and level 3 qualifications in future years (DfES 2003). Finally, financial returns for the young person are often very poor, particularly for level 2 qualifications (which the government has identified as a priority for development, see HM Treasury 2006—the "Leitch Report"). We would therefore argue that appropriate remedies to the problem have not yet been devised and further, as argued above, that the problem has not yet been adequately identified.

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*How do UK policy initiatives compare with those adopted in the US and other European countries? Have we anything to learn from these initiatives?*

European policies tend to concentrate on preparation of young adult labour rather than the youth labour market. Our youth labour market is something of a peculiarity in the north European context. The UK places few barriers to entry into part-time, casual and unskilled work for young people between the ages of 14 and 18. A wide range of casual, part-time, low skill work is still available in many parts of the country, including work in entertainment and catering. This labour is easy to hire and easy to dispose of for employers and is also generally low-paid. It is a fairly longstanding feature of our flexible labour markets (Ball, Maguire and Macrae 2000). Statistics show that in August-October 2006, 734,000 16–17 year olds were economically active, 15 per cent of the number of 16–24 year olds who were. This is not much less than the proportion in March-May 1992 (18 per cent). Over the same period, and looking at the cohort of 16–17 year olds who are not in full time education, the percentage who are unemployed has increased from 30 per cent to over 50 per cent (ONS 2006). Comparable figures for 16–24 year olds during this period, showing a decline from 17 per cent to 14 per cent flatter to deceive, since they include individuals with high levels of educational achievement. These figures suggest a disturbing development in youth unemployment, such that while we still have a large proportion of young people who are already economically active at 16–17, the proportion who fail to gain full-time employment and who also fail to go on to further full-time education on leaving compulsory education is increasing steadily.

In addition, there is a range of kinds of employment for which formal skill certification requirements are very low both for school leavers and those continuing to study from age 16 onwards. The effects of this youth labour market on young peoples' attitudes to work, study and leisure are not very well known. However, it is possible to draw some reasonable inferences from the situation. First, part-time work is time consuming, often tiring and inevitably affects the time and energy available for other activities such as studying. Second, such work provides revenue for leisure activities which can make it more attractive than study which is not economically compensated. Third, it often provides a poor early experience of the labour market and employer demands in terms of skills and training. Finally, it may give a limited and distorted picture of the wider labour market for older people, including older young people in which skill demands may play a greater role. One might argue that formal educational processes and certification are irrelevant for many jobs in modern urban economies and that young people are often not interested in long term career entry. This, however, is to recast the problem rather than to dissolve it, at least if we accept the thrust of government policy and authoritative advice to government which is to develop levels of education and skill and upgrade skill requirements across the labour market in order to boost productivity (eg HM Treasury 2006).

Thus the UK youth labour market has disadvantages and it is possible that these have not been adequately considered. We need to ask whether early experience of a casualised, low skill, low pay labour market is the most appropriate way of introducing our young people to economic activity based on high levels of general and vocational education. Some evidence suggests that a more controlled labour market entry through apprenticeship may appeal to many young people (Archer and Yamashita *op.cit.*). We suggest, therefore, that barriers to unrestricted labour market entry without any further educational inputs should be progressively raised. At the same time, recognising the value of induction into the adult world through employee status, we propose that the Apprenticeship Programme be considerably expanded and that employers be given every incentive, both through regulatory and financial means, to increase the supply of apprenticeships for the 16–18 age group, with exit qualifications at level 3.

*Have existing training programmes failed to provide young people with appropriate skills?*

A frequent complaint from employers concerning the skill set of young people entering the labour market is that they a) often have inadequate levels of literacy and numeracy and b) that they have not yet developed suitable attitudes to the workplace. Are these complaints justified?

On the first issue, it might be said that many employers do not demand very high levels of literacy or numeracy. This, however, is not an adequate response since one could hold that the achievement of adequate levels of literacy and numeracy in the population is an absolute duty of a public education system, irrespective of what employer demand might be. If this is the case, then it is not the primary role of training programmes to address this matter and a long term solution must be sought elsewhere within the education system. This does not mean that action to deal with dysfunction earlier on in schooling is not necessary: it is. However, it is far more economical, both in financial and human terms, to address the issue at the appropriate stage rather than later. We propose that, in relation to 16–24 year olds, an increase in the provision of apprenticeships is linked to a re-organised Apprenticeship Programme in which literacy and numeracy are embedded and are assessed as an integral part of the operational capacity of those achieving the exit qualification.

The second issue is more contentious since the attitudes that employers require are sometimes not those which the education system, rightly, aims to develop in young people. These include autonomy and a critical outlook. Employers, particularly in the less skilled sections of the labour market, sometimes require compliance rather than autonomy from their workers. It is, of course, possible to be both compliant in certain circumstances and independent in others. However, it does need to be considered by employers whether their needs for punctuality, reliability, diligence and civility are best met through the compliance of a low-skilled workforce or by their adoption as workplace virtues whose development is partly the responsibility of the education system and partly that of employers. In this regard, we recommend that employers' organisations look more seriously and systematically at what kinds of skills, attitudes and general levels of education they require from young people entering the labour market than they appear to have done so far, and to ask themselves whether a good business case can be made for increasing their contribution to the development of such workplace skills and virtues, even in sectors and activities that have not traditionally required high levels of skill or education.

It is important in this regard to consider the issue of young people who are Not in Employment, Education or Training (NEET), whose numbers, according to the Nuffield Review Annual Report for 2005–06, increased from 9–11 per cent of the 16–18 cohort (Leitch puts the current figure at 13 per cent which is consistent with ONS figures concerning unemployment rates for 16–17 year olds). As the Nuffield Report points out, little is known about this group, which is probably very diverse. One could reasonably surmise, however, that it is largely characterised by poor levels of achievement from primary school onwards. The existence of a NEET group, particularly in such rapidly increasing numbers, should be a major concern of policy makers. It is particularly significant since it encompasses all those who fail to engage in *any* education or training whatsoever between 16 and 18, including apprenticeships. Such data suggests that our education and training system has consistently failed to provide many young people with the levels of skills deemed necessary by policymakers and is increasingly incapable of furnishing young people with only compulsory education behind them with the attributes necessary to enter the labour market, even in those sectors where relatively low levels of skills and education are required.

*Or does the problem lie elsewhere?*

The implication of the above is that some of the problems lie elsewhere, although the operation of the labour market and employer behaviour is often not helpful. The obvious place in which the problem of inadequate levels of skill, particularly in literacy and numeracy, are to be found is in the education system and, in particular, within the preschool and primary sectors of the education system. It is true that these have been a political priority since 1988 and particularly since 1997, but, despite tangible progress, the achievement of even relatively modest government targets for literacy and numeracy, let alone the elimination of illiteracy and innumeracy, are far from being achieved and there are signs that policy in this area may have ceased to make gains that build on the already modest achievements so far.

A much more radical approach is probably needed to address this issue, which is much more focused and which draws upon well-established research. Particularly significant in this respect is the work of West Dunbartonshire Council on eliminating illiteracy, which is very well documented (MacKay 2006) and which should receive more attention in England than it seems to have done so far. At the same time, a *caveat* is needed. It is not possible to completely ignore exogenous factors when addressing reforms within the school system and the fact that an unskilled youth labour market and low employer demand for skills exist will continue to exert a powerful demotivating effect on young people. In this sense, employers do have an important, if indirect role in raising aspirations for the achievement of basic educational standards (Winch 2000).

*Is it possible to predict future skills or should we concentrate on numeracy, literacy and adaptability?*

As the above suggests, these are not exclusive questions. The main responsibility for eliminating illiteracy and innumeracy rests with the school system. Failure within the primary years is extremely difficult to correct at a later stage. Relatively few children who fail to achieve level 4 in reading by the age of 11 go on to do so later in their careers. It is far more effective, both in terms of cost and pedagogy, to concentrate efforts in the primary and preschool to deal with this issue, even though the lead times for labour market effects will be somewhat longer. The achievement of literacy and numeracy are fundamental since they are also the key to adaptability. Without these skills it is not possible for young people to become independent and informed in their decision making, and their effectiveness at work, even in workplaces that demand compliance rather than independent judgement, will be limited. If young people become more independent and informed in their decision making,

however, then employers who expect and demand little from their employees should brace themselves for a more questioning and less compliant type of employee, even though that employee may be potentially more adaptable.

*How should policy initiatives allow for uncertainties about the future pattern of labour demand?*

There are many uncertainties about future demand, but one can be confident that basic levels of literacy and numeracy, the experience of responsibility and the exercise of initiative will continue to be key attributes in employability. We therefore recommend an expansion of the Apprenticeship Programme, since, apart from its sector-specific virtues, it is also well suited to providing these attributes.

*How effective are current apprenticeship programmes in improving skills and employability?*

There is some indication that, in those sectors where apprenticeship has traditionally been valued, the level 3 Apprenticeship Programme provides a satisfactory level of skill (eg Gospel and Fuller 1998). It should be noted, however, that within these sectors, the requirements of the publicly funded template are often extended and that the most by far of the investment in the programme comes from the employer's own pocket. There is little evidence however, even in these sectors, that employers consider the continuance of general education to be appropriate to the apprenticeship curriculum (Ryan, Gospel and Lewis, 2006). This should give public funders of such programmes cause for concern, particularly if apprenticeship qualifications are seen as a route into higher education for some young people.

In sectors which have newly taken up apprenticeship schemes, such as retailing, the programmes are thought to be adequate (with the exception again of Key Skills) but as the skill demands are so low, it may be queried whether the programmes offered really merit the level 3 assignment that they are formally designed to achieve. These considerations point to the need for more consistency and rigour in apprenticeship programmes if they are to significantly raise skill levels, boost more general employability attributes and reduce social exclusion.

*Why are employers not more involved in the provision of apprenticeships?*

Many employers do not see the provision of apprenticeships or indeed extended programmes of initial training or education as appropriate to their skill needs. Until they can be persuaded to think otherwise, this situation is unlikely to change.

*Do apprentices help to meet employers' skill needs?*

As suggested, from the current employer perspective the answer is often "no". When the broader public interest as to what employer skill needs *should be* is taken into account (including arguably employers' broader and longer term interests), the answer might well be "yes".

*Are new approaches needed?*

Apprenticeship has the potential to be a powerful tool to meet the skill needs and identity aspirations of employers, to equip young people with the skills, knowledge and self-esteem to enter a skill-demanding labour market and to continue the general and civic education of young people beyond school leaving age (cf Archer and Yamashita 2003). Therefore the general thrust of government policy in this area should not be to abandon apprenticeship as a preferred means of post-compulsory vocational education, but to seek ways of making it more effective: first by better integrating the unpopular Key Skills element into the other aspects of the programme, second by eventually replacing this element with more generally educational programmes such as is the case in neighbouring countries (Clarke and Wall, 1998), and third by more active interventionist labour market measures to build employer demand for substantial, rather than tokenistic, apprenticeship schemes.

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

There is a balance of different advantages and disadvantages between college and workplace-based training provision, as shown by recent work carried out in Europe (Dubs 2006). One of the problems in the English labour market is that employers are often keen to employ labour that is ready to undertake work with little or no further job-related training. In some sectors, such as construction, this puts college educated qualified

young people at a disadvantage *vis-à-vis* qualified migrant labour from, for example, Poland and Germany, where the mode of training involves considerable operational experience. The vocational education of German construction workers also makes them polyvalent (multi-skilled) making them attractive to the larger employers moving from one contract to another, where the skill mix required is often variable. However, one of the problems in the construction sector, that has traditionally used apprenticeship, is the very significant decline in apprenticeship places.

We suggest that the apprenticeship route, in which the young person is an employee, remunerated according to his or her productivity, is the way forward. The Apprenticeship Programme needs to be overhauled, with an integrated exit qualification that demonstrates the candidate's overall operational ability, including the application of theory to practice, ability to plan, monitor and assess his or her own work and to work productively in teams as key qualification criteria. The qualification at level 3 should be acceptable to admissions tutors for further progression into higher education for candidates achieving a threshold level of competence (not necessarily the same as the minimum standard for the exit award). Employers should be subsidised for the more general educational and civic element in such programmes which should be mandatory. It should be noted that in some countries where the dual system version of apprenticeship is used, employers often see their apprentice employees as an economic asset rather than a pure cost (Dubs op.cit.).

It follows, therefore, that the more formal educational element in such programmes should be part-time, involving ideally a two day per week release from the workplace over a three year programme. Such training will respond to the needs of those businesses that do value skills, but there also need to be incentives in place to encourage more employers to take on apprentices from our school system rather than relying excessively on cost-free ready trained and work-ready migrant labour (see below).

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

Up to date, to the extent that government policy has recognised a demand side problem, it has tended to shy away from regulatory measures to increase demand. However, the limitations of supply side and non regulatory demand side policy suggest that such measures are no longer adequate. There are two sorts of measures that the government could employ to incentivise employers to improve the employment and productivity of unskilled workers. The first of these is through extension of *licence to practice* through a range of occupations in which higher levels of skills are thought to be a national priority. However, the implementation of the European Qualification Framework will mean that licence to practice requirements could be satisfied to some extent through the employment of migrant labour.

It is therefore proposed that, in addition, mandatory *training levies* should be imposed on those sectors where it is thought necessary to develop the skill base. These levies should be linked to a revised Apprenticeship Programme (see above). Government subsidy at a significant level for these apprentice programmes should be continued and draw down and should be automatically linked to the levy for approved programmes for the following reasons:

- (i) to ensure the provision of a continuing general and civic educational element in such programmes;
- (ii) to underpin an accountability requirement for the whole of such programmes so that standards can be set and monitored for apprenticeship programmes as a whole; and
- (iii) to provide significant financial incentives to employers to draw down the mandatory levy.

### **Memorandum from the City of London Corporation**

#### INTRODUCTION

1. The City of London has a growing interest in the skills field in the context of maintaining the City's position as a leading world financial and business centre. Contributing factors include a reputation for openness, with easy access to global markets and an environment attractive to overseas firms. The provision of leading edge education and training services in the UK has been central to maintaining this reputation and is key to the development of professional competences that will sustain London's position in the future. UK education and training services are internationally recognised in opening up career opportunities in financial and professional services in London and the UK.

2. In its capacity as local education authority for the Square Mile, the City of London Corporation is committed to ensuring the provision of a high standard of education and training to City workers and residents. It is also involved in enhancing the provision of education, training and skills development for

residents of neighbouring boroughs. The City fringe area has some of the highest unemployment levels in London. Despite a growing number of jobs, a disparity remains between the skill levels of local residents and the requirements of City and City fringe employers. The City of London is working with statutory bodies, neighbouring local authorities and training providers to encourage local residents to access training, develop new skills and move into long term employment.

#### THE CITY CORPORATION'S COLLABORATION WITH NEIGHBOURING BOROUGHES

3. Increasing the educational attainment and skills of local communities will play an important part in securing a supply of skilled workers to fill projected job vacancies in the City and City fringes. Of particular importance to the City are information technology and "work ready" skills, including literacy, numeracy and team-working skills, as these form the basis for most City-type jobs. A report published by the City Corporation in July 2005<sup>17</sup> provided an insight into the types of entry level jobs available for residents of neighbouring boroughs within the Financial and Related Business Services (FRBS) sector. The analysis highlighted that whilst there is an abundance of entry level jobs available in the City, a lack of awareness amongst potential candidates about the sector, the jobs available and how employers recruit exacerbates recruitment problems.

4. The City Corporation has, therefore, sought to work with neighbouring boroughs on a range of initiatives intended to boost skill levels and awareness of opportunities. It is involved in a range of activities that span the City and the defined City fringes<sup>18</sup> informed by the Skilled and Learning City Forum (SLCF), involving key bodies with an interest in the City/City fringe-related skills, education and employment agenda. The SLCF is one of the theme groups of the City of London's Local Strategic Partnership, *"The City Together"*. The paragraphs below set out some of the City's activities.

5. The City Corporation provides financial support for The Brokerage Citylink, a City-based charity working closely with employers, Education Business Partnerships, schools and education providers across the boroughs of Hackney, Tower Hamlets, Southwark, Islington, Newham, Lewisham, Camden, Lambeth, Greenwich and the City of London. The organisation, which includes a City Corporation Officer on its Board, provides a pathway of opportunities for young people aged 12–13 up to adults, to the employment opportunities within the FRBS sector in the City, Docklands and surrounding area. The Brokerage offers a unique service, providing personal and focused job finding support. Since 1996 the Brokerage has supported over 1,700 people into employment with around 70 per cent of these being from ethnic minority communities.

6. In addition to delivering the City of London's Business Traineeship (set out in more detail at paragraph 7 below) and *City 4 A Day* programmes (a series of "taster" days at City-type firms for local students), the Brokerage runs a number of schemes aimed at increasing access into the Square Mile. The Brokerage's "Working in the City" programme, for example, aims to provide young people with an insight into the working environment in the City and the expectations of City employers. The Brokerage receives significant support from City companies, who recognise the benefits of a having workforce that reflects the diversity of their local communities. More recently, this has been complemented by a separate initiative, Careers Open House, which offers shorter visits to City firms for larger groups of young people. This is delivered by a consortium of Education Business Partnerships (EBPs) led by *Inspire!*, the EPB for Hackney.

7. The City Business Traineeship (CBT) programme, delivered on the City of London's behalf by the Brokerage Citylink, was established by the City of London Corporation in 1994 to provide students leaving schools and colleges in neighbouring boroughs with paid work placements in City companies. The scheme introduces young people to employment opportunities in the City, whilst also promoting local recruitment to City firms. For many firms, the scheme fits well with their agenda to promote diversity in the workplace, whilst also providing a talented source of local labour. The scheme now places over 80 students each year into a range of City firms, including companies in the financial, insurance, accountancy and legal sectors. Students have the opportunity to participate in a series of CV, interview and sector-specific workshops, before being put forward for a placement.

8. Prospect Centres are a new approach to increasing participation in learning and training for people currently excluded or disengaged from formal provision. Ten centres are being developed across London, each focusing on a different industry sector and offering practical, on the job training and helping trainees to move into employment or self-employment. The Prospect Centre at 16 Hoxton Square, which receives financial

<sup>17</sup> *"Skills in the City: Entry Level Opportunities in the Financial and Business Services Sector"*, Greater London Enterprise, published by the City of London Corporation, July 2005. GLE conducted interviews with Human Resource officers in a wide range of companies across the City, Canary Wharf and Westminster. This was carried out alongside focus group interviews with junior and entry level personnel currently employed in these business sectors.

<sup>18</sup> The City fringes are defined as the London Boroughs of Tower Hamlets, Hackney, Camden, Islington, Lambeth and Southwark and the City of Westminster.

support from the City of London, specialises in hospitality training, with a public restaurant, Hoxton Apprentice, sited alongside training kitchens, community facilities and affordable small business space. It is envisaged that 500 local people will be engaged in learning activities each year with 30 new jobs created within the centre and restaurant.

9. The City Corporation is also the contracting body for the City Fringe Partnership, which focuses on strengthening key City support sectors and others in the immediate City Fringe through skills-based programmes. Similarly, the City is the accountable body for the Pool of London Partnership which, in addition to providing a range of physical improvements to the area between London Bridge and Tower Bridge north and south of the river, has also delivered a range of skills-based programmes. Further support is offered to the East London Business Alliance which runs education and local recruitment programmes in East London for member companies. The City Corporation's Spitalfields Employment Project targets hard-to-reach unemployed residents of the west of Tower Hamlets and the east of the City through an intensive outreach programme. This is complemented by the Southwark Works! Programme, towards which the City makes a financial contribution, with the aim of engaging with hard to reach communities in Southwark in training and employment.

10. City of London officers sit on the advisory Boards of the EBPs in Hackney and Tower Hamlets and on the East London consortium of Education Business Link Organisations, Business Education London East. These link schools and colleges with businesses from the City and City fringe bringing business expertise into schools through a wide range of programmes. Staff from the City of London School are also involved in the Hackney PowerMaths project which aims to train teachers in secondary schools in Hackney how to use IT software to assist in the delivery of the mathematics curriculum. Teachers in the City Fringe are encouraged to promote employment potential in the City and the City Corporation has sought to assist in this through the development of a careers resource pack on opportunities in the City. The City also provides support to Teach First, a programme of placing high-achieving graduates in challenging schools for two years.

11. Other initiatives in which the City is involved include hosting an Employer Engagement Manager, funded through European Social Fund EQUAL funding, to examine attitudes and approaches to local recruitment in the FRBS sector, whilst the City Corporation itself is engaged in a local recruitment project, encouraging departments based in the City to recruit from neighbouring boroughs. Other recruitment initiatives include a new programme of engaging City developers and contractors in recruiting from the City fringe and providing training opportunities on City sites.

12. The above activities are underpinned by a wide range of programmes to engage City Corporation and "City" business employees in providing their time and expertise, through volunteering, to community organisations (including schools) in neighbouring boroughs. These include Heart of the City which spreads good practice in corporate volunteering from large companies to small and medium size firms, City Action (the City Corporation's in house brokerage linking City firms with community projects in neighbouring boroughs) and the Lord Mayor's Dragon Awards which recognises excellence London-wide in volunteering, local recruitment and local procurement.

13. It is perhaps worth noting that the collaborative approach to delivery set out above would be made much more difficult under current proposals from the Mayor of London to divide the capital into five sections. The existing Central London Sub Region, which houses some 44 per cent<sup>19</sup> of London's jobs and is set to be the focus for a massive increase in jobs and population in the next decade, will cease to exist. The City Corporation would argue that Central London should be treated as a coherent whole if it is to accommodate the projected growth successfully and put the necessary physical and social infrastructure in place. For economic development purposes it is crucial to recognise that Inner London is the economic dynamo of Greater London and indeed the South East which requires very specific and consistent attention in order to sustain and indeed expand its international competitiveness in all respects.

#### IMPROVING LONDON'S SKILLS

14. The importance to which the City attaches to skills is reflected in the present Lord Mayor's specific focus on skills as the central theme for his mayoralty during 2006–07, focusing particularly on the City as the centre of excellence for professional education, training and qualifications. This initiative—"City of London—City of Learning"—intends to raise awareness of the quality and portability of UK qualifications through promotional events during the Lord Mayor's visits overseas and when he receives senior overseas visitors at Mansion House during the year. An integral element of the initiative is the development of an internet-based database linked to websites of key professional bodies, universities and training providers. This will be

<sup>19</sup> Source: ONS Annual Business Enquiry NOMIS 2006.

accessible through a range of sites (UK Government and City institutions), not least through UK missions and British Council offices overseas.

15. Consideration of London's Skills needs also has a strong presence in the City Corporation's research programme. Research commissioned by the City of London Corporation has shown that the availability of skilled personnel is ranked as the single most important factor in maintaining the competitiveness of the City.<sup>20</sup> London has also been cited separately as the best place in the world to go for valuable educational qualifications.<sup>21</sup> The growing educational export market already earns huge benefits for the UK, both economically and culturally. There is a strong push already by UK professional bodies, business schools and training organisations to provide, or facilitate, the necessary training to deliver professional qualifications in a range of overseas markets.

16. More domestically, in research undertaken for the City by Greater London Enterprise (GLE),<sup>22</sup> some employers expressed concern that many candidates for ancillary and secretarial jobs lacked basic skills, such as English and maths ability, as well as "soft skills" such as confidence, team work and presentation skills, all of which are regarded as crucial by recruiters. The GLE report recommended such activities as providing students with specialist coaching in business English and Maths in order to improve basic skills, increasing awareness of the sector and its recruitment practices, and offering students in Years 10 and 11 more opportunities to practice and improve interview skills. The report also called for Government to recognise high quality professional traineeships as of equal status to university entrance when compiling performance statistics. It was suggested that this would give schools more incentive to promote such opportunities and help facilitate the recruitment of high calibre students to A-level entry roles. Similarly, workers with higher level and managerial skills will increasingly be in demand in the future and a report recently published by the City Corporation<sup>23</sup> seeks to encourage closer working between the FRBS sector and the UK's Higher Education sector, better to prepare graduates for the world of work.

17. The City Corporation's annual report, on the contribution made by London to the UK economy, this year included a section devoted specifically to London's skills needs<sup>24</sup> and considered it a "Key Issue for the Future". The research found that London's specialised economy raises many specific skill needs and, more generally, skills within the labour force are a key influence on London's ability to compete and its overall prosperity. The authors conclude that London scores highly on the number of graduates in its labour force but it also suffers from "skills poverty" with a high proportion of the population lacking any formal qualifications. The report accepts that at any one time, there is likely to be shortages of specific skills, but as long as the labour market is allowed to operate flexibly these shortages will tend to be met over the medium term. It was felt that, on balance, London does not face skill shortages that are stifling its growth but more important for London is the extent to which the capital relies on imported labour to meet its needs, and the high proportion of the London working age population that lack the foundations on which skills currently in demand are based.<sup>25</sup> The report concluded that it is likely that London's favourable experience in relation to skill shortages in this most recent period is at least partly a consequence of the very rapid levels of net immigration that the UK has been experiencing since the Accession States joined the EU in mid-2004, with London acting as a key entry point.

10 January 2007

### Memorandum by Professor Linda Clarke

1. *How do skill levels, productivity and employment rates compare across different sections of the labour force and how do they compare with other countries, such as the United States, Japan, France, Germany, Italy and Spain?*

1.1 I am a specialist in the construction sector and have conducted much comparative research comparing skill levels, productivity and employment. I attach a paper, "Divergent Divisions of Construction Labour: Britain and Germany"—about to be published—comparing the development of construction labour in Britain and Germany. This shows the high labour intensity of the construction labour process in Britain, with at least

<sup>20</sup> "The Competitive Position of London as a Global Financial Centre", Z/Yen Limited, published by the City of London Corporation, November 2005.

<sup>21</sup> Anholt—GMI City Brands Index, <http://citybrandsindex.com/>, December 2005.

<sup>22</sup> "Skills in the City: Entry Level Opportunities in the Financial & Business Services Sector", *ibid.*

<sup>23</sup> "Graduate Skills and Recruitment in the City", Financial Services and Skills Council, published by the City of London Corporation, September 2006.

<sup>24</sup> "London's Place in the UK Economy, 2006-07", Oxford Economic Forecasting, published by the City of London Corporation, November 2006. This is an annual report which seeks to highlight the importance of London's wealth and tax generating capabilities in relation to the rest of the UK. Section 7.1 concentrates on London's skills needs.

<sup>25</sup> *Ibid.*

double the numbers employed for the same output compared to Germany. This labour intensity is in large part attributable to low levels of training and low skills, the ratio of trainees in the workforce being three or even four times greater in Germany (at about 6 per cent of total workforce) for a far superior—longer, broader and deeper—training.

1.2 This picture has been confirmed through our detailed studies of construction projects, comparing Britain, Germany, the Netherlands and Denmark. I attach a paper, “Cost vs production: labour deployment and productivity in social housing construction in England, Scotland, Denmark and Germany”, written on these. This shows the far higher levels of productivity achieved in each of the other countries, measured in terms of square metres produced per day at, for example: 19.3 for England, 15.5 for Scotland, 13.9 for Germany and 12.9 for Denmark. Similar findings are reported by Bernard Williams Associates in their report to the European Commission “Benchmarking of use of Construction (Costs) Resources in the Member States (Pilot Study): Final Report 24 March 2006”.

*2. Is there a particular problem concerning productivity and employment levels among the unskilled young? If there is a problem, is it different to the problems faced by all unskilled workers, irrespective of their age?*

2.1 There is of course a particular problem in this respect for construction. The main problem is that without experience it is almost impossible to enter into the industry, so that the young unskilled are disproportionately affected. In most European countries, it is almost impossible now to work in the construction industry without skills and the necessary training to acquire these. Levels of unskilled have dropped dramatically in most countries, though not in the UK (see again the paper on “Divergent Divisions of Construction Labour”).

2.2 Of those training in construction (at levels at any rate lower than other leading European countries), 62 per cent are based in further education colleges, many of whom are classified as unemployed. Very few have the possibility, once trained, to enter the industry because they do not have the necessary work experience or employer placement. This situation is outlined in the paper “Valuing labour” attached. Those training in FE, but unable to enter the industry, consist disproportionately of youngsters of ethnic minority background, as shown in the attached paper “Gender ethnic minority exclusion from skilled occupations in construction: a Western European comparison”.

*3. Does the evidence suggest that employment rates and earnings among young people are limited by a lack of appropriate skills?*

3.1 Because construction is an increasingly skilled industry, it is now very difficult to enter without appropriate skills, which at a practical level can only be acquired through work experience or simulated practice in workshops. It is these latter that are particularly lacking and which the FE colleges can only provide to a limited degree. FE colleges too tend to concentrate on the traditional biblical trades (carpentry and joinery, bricklaying, painting and decorating, plumbing), with often poorly equipped training provision, and the trades themselves clearly demarcated from each other and narrowly defined compared to other European countries such as the Netherlands or Germany (see our publication “Craft versus industry: the division of labour in European housing construction” attached). Other areas outside these traditional areas, in particular groundworks, machine operation, concreting and civil engineering do not receive the systematic (two to three year training) they are given in other countries, but depend instead on one-off short schemes (eg for dumper drivers) which young people may not be able to afford and which anyway provide little in the way of a career structure in construction. Those who have undergone such short training may earn little more than the minimum wage.

3.2 The lack of a clear career structure is one important reason why young people will not be able to improve earnings. This is a much more critical problem than in the past when it was possible to progress from City and Guilds, to HND to a profession CIOB qualification, a route increasingly tortuous now as NVQs do not provide the necessary underpinning knowledge to progress to HND level, as shown in the work of Hilary Steedman at the NIESR.

3.3 For these reasons it is difficult for young people to earn a “skilled rate” in the first place. However, the low employment of young people in the construction industry is not just attributable to inappropriate skills. It is almost impossible now to work on a site if you are under 18 years of age and for young people generally because it is extremely dangerous and there are stricter health and safety controls and regulation. Without appropriate training, any employer would be reluctant to employ a young person on these grounds alone.

4. *Have wage and employment opportunities for young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over recent years?*

4.1 This is not necessarily a causal relation. Young people have been restricted from entering construction because of inappropriate skills and no means to acquire them. As a result, employers have turned for recruitment to workers from Eastern Europe. I have recently completed a study of Heathrow Terminal 5 (T5) where this was abundantly clear. Many hundreds of youngsters were training in construction in colleges around the site (about 300 alone in one of the colleges I visited), but this was almost entirely in traditional trades and I was informed that few would have a chance to work in the industry because they could not obtain the necessary work experience and because these were not the areas of employment.

4.2 On T5 itself the ratio of apprentices to workforce of one of the leading contractors was about 1 in 250, though at the time of the visit this was only 1 in 1,000! This represents a rate of between 0.4 per cent and 0.1 per cent, which compares with a ratio of apprentices to operatives in a country such as Germany or Denmark of approximately 12 per cent! In the meantime, the site relied almost entirely for new recruits on labour from Eastern Europe and countries such as Portugal and Germany, which it was presumed had some experience in the industry. Workers (in particular German) were regarded as having highly flexible, extensive (rather than narrow) and transferable skills and were also prepared to work the 60 hour week demanded, unlike many “local” workers.

4.3 Such problems, and policies which might address them, are described in the GLA report on Diversity in Construction, to be launched at City Hall on 15 February 2007.

5. *How accurately can we predict the likely future pattern of employment? Which areas of activity are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?*

5.1 Construction is predicted to be an area of very significant expansion over the next 10–20 years so should, in theory, provide an area of great employment opportunity for young people. For the construction industry, there are fairly reliable forecasts from different UK regions, including the London region, being produced by CITB through its Skills Networks and Observatories.

6. *What is the rationale of government policy in this area? Has policy been based on a proper diagnosis of the problem and does it identify appropriate remedies? How do UK policy initiatives compare with policies adopted in other EU countries and the United States? Do we have anything to learn from those countries?*

6.1 Unlike other European countries the rationale of UK government policy is that training should be based on employer demand and be employer led. The trade unions have to a large extent been excluded from involvement in issues of training and these are rarely part of the collective bargaining process, except in areas such as electrical contracting. Yet employer demand and employer interests are inevitably short term, whilst those of employees and unions are more long term and concerned with improving the skills and value of labour throughout the working life. Government has not recognised these different interests. Countries such as Germany, the Netherlands, the Scandinavian countries, France etc. develop training policy and provision on the basis of negotiation between social partners—the trade unions and employers.

6.2 Government has also failed to recognise a general decline in the apprenticeship system, a decline apparent throughout Europe as individual employers increasingly retreat from being directly responsible for training and apprentices. In other countries measures have been put in place to overcome this, whether the group training schemes found in the Netherlands (and Australia), the well-equipped very modern training workshops providing simulated work experience in Germany, or the increasingly intensive college-based training of Denmark (with the first year entirely in college, providing theoretical and practical training).

6.3 A further peculiarity of the British system not identified in government policy is the clear divide between the vocational education of a) operatives, accountable to government and under, for instance, the FE colleges, and b) professionals, accountable to the Privy Council through the professional institutions (see my paper attached “The Institutionalisation of the Skill Division”, published in “Skills that Matter”, Palgrave). This divide has held back the development of clear paths of progression from operative to professional and of intermediate skills, which is the area of greatest growth in most European countries. This is especially, but not only, evident in the construction industry.

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

7.1 Existing training programmes for construction, by focussing on un-reconstituted traditional skills, fail to provide appropriate skills. This is not just a problem of focussing on inappropriate skills but of a need to update and redefine existing skills. A carpenter in, for instance, the Netherlands carries out a far wider range of activities than the British carpenter, just as the bricklayer does in Germany—so the German bricklayer and the Dutch carpenter are in British terms “multi-skilled”. It is evident from interviews with employers that these “multi-skills”, capable of being transferred from one project to another, are what is required for modern construction processes. In addition, areas such as civil engineering have been grossly neglected in training terms. Firms now seek people who can carry out most the activities associated with groundworks, including driving a range of machines, concreting work, laying out, even reading drawings. But there is no training available for young people to carry out all these activities, which require a mixture of applied practical and theoretical skills and a great deal of investment in advanced equipment. A country such as Germany overcomes this through the government itself equipping training centres and workshops, with the idea that these train for innovation whilst employers train for the market.

7.2 For construction at least, the requirements can be identified and to a large extent predicted. It is also possible for government to take a lead and not just rely on demand. For instance in Denmark a new training programme was developed in the intermediate skills area for “construction architects”—now one of the fastest growing occupations in construction. Similar initiatives have been taken successfully in the Netherlands.

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

8.1 Apprenticeship in the traditional sense is, in my view, a thing of the past. Indeed Germany stopped using the term over 30 years ago when its training scheme was revamped. Basing training on individual employer goodwill is far too vulnerable a way to build the skills of tomorrow and equip youngsters with a wide range of skills on which to build a career. For one thing, the activities covered by one single employer can be extremely narrow and even firm-specific.

8.2 There are many reasons why employers have increasingly abdicated from responsibility for apprentices, including: health and safety considerations; the decline in collective bargaining concerning training; lack of trade union pressure with the exclusion of trade unions from modern apprenticeships; lack of obligation and regulation, as evident from the limited use of statutory levies; the decline in long-term employment with firms; self-employment and extensive use subcontracting; the easier alternative of using migrant labour; and lack of links with further education colleges. My experience, however, from the construction industry is that where there are good quality training schemes—stretching over two to three years, with well-equipped workshops, attractive trainee rates, good theoretical underpinning, and providing practical work experience—these are vastly oversubscribed and offer those training good employment possibilities.

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

9.1 The first requirement is that all those with an interest in vocational education—the employers, the trade unions, providers/educators and government—be built into the system. Currently the lack of a clear link between employers and FE colleges is a serious impediment. For construction at least, vocational education has to have three elements and hence locations: a theoretical element, as provided by FE colleges; a simulated element, through workshops, which can be jointly run; and a practical element, which can be provided by one employer, or better still a range of employers, and also by setting up special training sites, with skilled tradesman to show young people what to do.

9.2 A second requirement is that a “comprehensive system” be established rather than the “anything goes” range of different routes at the moment. A bricklayer with an NVQ2 level can have received training from anything between one week and two years! There is no clear standard or, as a result, expectation.

9.3 A third requirement is to return to the integration of practical and theoretical training and of work experience and education. At the moment training for construction has gone back to what it was in the 1950s, when it relied on day release to college. The standard scheme of training established in the 1970s, which relied

on block release to college has largely disappeared. Day-release is no way to organise training provision. From the point of view of the college, it provides insufficient time for the trainee to learn and develop; for the trainee it is frustrating and often regarded as just a nuisance and of little value; and for the employer trying to meet a deadline, it may be regarded as dispensable. In other countries, block release to college is the norm, even on a six-monthly basis, that is six months in college, and then some months with an employer.

9.4 A fourth requirement is that training provision be regarded as necessary for improving productivity and for innovation, rather than meeting short-term employer needs.

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

10.1 Most of these are incorporated in the recommendations of the GLA report on “Diversity”. They include: wide use of Section 106 conditions with respect to training and employing young people; the establishment of training levies; establishing a system of training trainers/older skilled workers; collective agreements on training/skills development, including on recognised trainee and improver rates; linking pay more closely to qualifications; implementing the Working Time Directive, as currently young people are competing with labour brought in from outside UK and willing to work 60–70 hours per week; statutory annual training leave. Reforms need to be directed at equipping young people with skills rather than accommodating the unskilled!

January 2007

### Memorandum by Connexions

Question 2: *Is there a particular problem concerning productivity and employment levels among the unskilled young?*

- The primary problem for un-skilled young people is that they lack confidence, have little or no self-esteem, don’t feel worthy of a job, and their aspirations are often low.
- The number and type of jobs for unskilled young people are disappearing or have already disappeared such as the manufacturing industry. This means that the market is limited and increasingly more competitive.
- Employers are less willing to take on young people and often need incentives to employ and train them.
- Young people often expect or need more than the minimum wage.
- There are rising concerns about opportunities for young offenders.
- Increasing problem of early school leavers who have lost interest in school at age 13 or 14. Therefore, rising numbers of young people lack Level 1 provision.

Question 3: *Does the evidence suggest that employment rates and earnings among young people are limited by a lack of appropriate skills?*

- Yes.
- Low skilled jobs pay the minimum wage and in some cases have been termed as apprenticeships or traineeships. This seems unattractive to young people.
- An increasing majority of young people are leaving school without basic literacy and numeracy skills, which affects their employment and earning potential.
- There is a lack of vocational training opportunities and inappropriate basic skills provisions.
- E2E is not sufficient enough.
- Young people lack interview/job search skills.
- Young people with low skills face multiple barriers to work. Employers have previous “bad” experiences of employing young people and are not always prepared to take any more—they often perceive it as a waste of time and resources.

Question 4: *Have wage and employment opportunities for young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over recent years?*

- Yes.

- The Eastern European workforce is prepared to work for less so employers will find this more attractive. This is very good for productivity but not necessarily for young people.
- Eastern Europeans have the required basic skills and are prepared to work for the minimum wage. This is particularly evident in the Construction and Hospitality sector.
- The more skilled migrant workers will “trade down” in an attempt to get a foothold on the UK labour market. This is pushing out young people with less experience and qualifications.

Question 5: *Which areas are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?*

- Retail.
- Mobile phone technology.
- Healthcare.
- Education.
- Public Services.
- Construction.
- Engineering.
- Information Technology.
- Higher technical posts.
- Science sector.
- Catering.
- Management.

Question 7 (part 1): *Have existing training programmes failed to provide young people with appropriate skills?*

- Young people are still leaving training providers with no employment and little prospects.
- Existing programmes are not all tailored to meet the needs of young people.
- Entry to Employment (E2E) programmes are not organised, lack discipline, not preparing young people for the world of work and are not providing practical skills which young people require.
- E2E programmes have often lacked in variety and practical content. An interest in practical skills needs to be better provided eg motor vehicles, building.
- Generally, there is a lack of pre-apprenticeships and training.

Question 7 (part 2): *Is it possible to predict what specific skills will be needed in the future?*

- Yes.
- Entrepreneurial Skills—we need to be able to foster skills in young people, which encourage them. There is a need to look for business opportunities that ultimately will create more employment opportunities, these skills should be encouraged at a young age.
- We can predict specific skills from Labour Market Information and Demographics.
- We need the next generation to be thinking about creating opportunities for the future.

Question 7 (part 3): *Should training focus on numeracy, literacy and adaptability?*

- High numeracy and literacy levels increase confidence and self belief, if you have both you inevitably become more adaptable and believe you can respond to different and new challenges.
- Adaptability is very important as are basic skills. There has been a huge gap between what was taught in education and what skills are actually important in the labour market.
- Literacy, numeracy and IT are important for any job role. Skills need to be clearly related to client interest, such as numeracy for construction.

Question 8 (Part 1): *How effective are current apprenticeship arrangements in improving skills and employability?*

- Ineffective.
- The quality of work-based learning is not necessarily tailored to the apprentice's needs but more to the employers need. The apprenticeship is based solely on the employer understanding the trainee's needs and if this does not happen then the experience can be unproductive for those involved.
- Young people prefer on the job training where they can learn practical as well as theoretical skills.
- Young people like to be employed rather than just training. There is not enough support in finding employment from training providers.
- Apprenticeships are only effective if they are available, such as a lack of opportunities in plumbing, building etc—there is a high demand from young people but employers are not taking on apprentices.
- It is the difficulty of getting employers that makes apprenticeships less effective in addition to a lack of apprenticeships in the first place.
- There is inadequate funding to encourage smaller businesses to take on apprentices.

Question 8 (part 2): *Are new approaches needed towards current apprenticeship arrangements?*

- Yes.
- Greater support for apprentice employers and monitoring of their progress in the workforce.
- Provide incentives/business support services for employers to take on apprentice's ie VAT returns.
- Smaller companies could do with insurances, liability, pay roll issues and guidance on becoming employers of apprentices.
- A wider choice of provision needs to be offered to suit different abilities and needs eg Pre E2E programmes, one-to-one work and mentoring.
- Construction sector could have more training units on site.
- More schemes are needed which have a period of "in-house" intensive training before moving into the workplace.

Question 9: *How should training provision for young people be organised?*

- Training provision should be based within Further Education Colleges.
- Connexions and the Youth Service should play a bigger part in providing employment training for young people; it should be with a non-profit organisation.
- It should be more specific, targeted and intensive so that young people can see the outcomes in the short term.
- Training provision should also be flexible to accommodate those young people that need longer training to be ready for the workplace.
- There is an underpinning knowledge, so it makes sense to link work-based learning with college education.
- Pre-apprenticeship programmes should be developed further.
- More vocational GCSE's would help young people who might not be academically minded.

*Further evidence/comment*

- The situation at present is bleak nationally for low skilled young people, we need a real commitment from Central Government to raise skill levels among this group to increase their short, medium and long term employment prospects. The numbers in this target group are increasing so something doesn't appear to be working. We need to have a fresh look at addressing this problem and if necessary, come up with radical changes.
- There are too many young people who are unable to access training which they value.
- More needs to be done to ensure that young people are getting the training they want and need.

8 January 2007

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## Memorandum by the Department for Work and Pensions

### SUMMARY

In order for an effective school to work transition it is essential to reduce the proportion of young people leaving school lacking qualifications or lacking basic skills. Young people with no qualifications are at a particular disadvantage in the labour market. The proportion of 16–17 year olds not in employment, education or training (NEET) has increased over the last couple of years.

### INTRODUCTION

1. For the purposes of this memorandum we define young people as being those aged 16–24. Government policy is to maximise the numbers of those aged under 18 who remain in education so policy responsibility for this group lies with DFES. DWP policies are primarily aimed at those aged 18 or over, with the exception of the small numbers of those aged 16 or 17 who are entitled to working age benefits. However, DWP has an interest in the 16–17 year old group as those who leave the education system with no qualifications or lacking basic skills are likely to face difficulties in successfully making the transition to work.

2. There are 7.1 million 16–24 year olds in the UK—1.6 million 16–17 year olds and 5.5 million 18–24 year olds.<sup>50</sup> As stated above, working age benefits are only available to a small number of 16–17 year olds in severe hardship (eg those who are estranged from their parents or those who leave care). Analysis of DWP administrative data shows that the number of 16–17 year olds claiming income support (IS) fell from 28,500 in 1997 to 18,100 in 2005, the number of 16–17 year olds on incapacity benefit (IB) has fallen from 14,500 in 1997 to 7,200 in 2005 and the numbers of 16–17 year olds on Jobseeker's Allowance (JSA) has also fallen from 14,300 in 1997 to 10,900 in 2005.

3. Once people reach the age of 18, those who are not in employment or education/training can claim JSA. After six months, those who are still out of work are mandated to take part in New Deal for Young People. As there is a difference in the way DWP treats those aged 16–17 and those aged 18–24 this memorandum presents separate analyses for these two groups.

4. The rest of this memorandum attempts to address the issues set out in the questions outlined in the call for evidence. It starts by looking at international comparisons of productivity, skills and employment and then moves on to look specifically at the 16–24 year old group in terms of their employment rates and skills levels. It also looks at issues around the NEET group and current policy for young people. It finishes by looking at future projections of the demand for skills and the sorts of issues that future policy may need to address.

### INTERNATIONAL COMPARISONS OF PRODUCTIVITY, SKILLS AND EMPLOYMENT RATES

5. In terms of GDP per hour worked<sup>51</sup> workers in France are 20 per cent more productive per hour than UK workers, and workers in the United States 17 per cent and Germany 13 per cent more productive. Research indicates 12 per cent of the UK's productivity gap with France, and up to one-fifth of the gap with Germany, is due to the UK's relatively low skills level.<sup>52</sup> (Figure 1)

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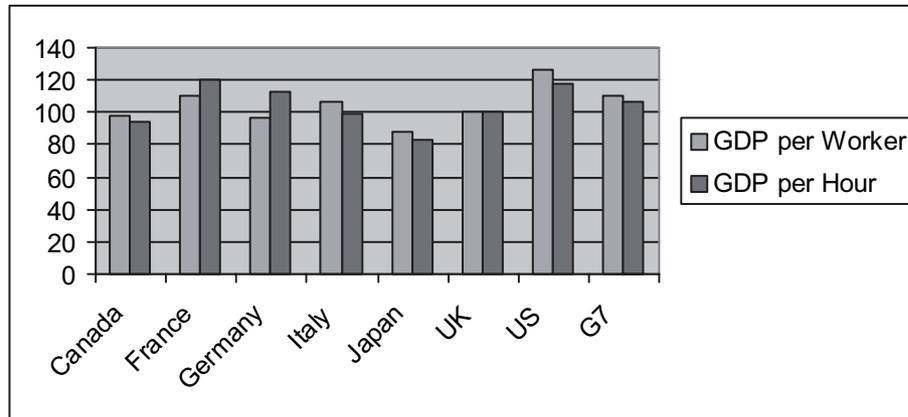
<sup>50</sup> Labour Force Survey 2005.

<sup>51</sup> This indicator more accurately portrays the UK productivity situation as it takes into account the number of hours worked, not just the output per worker.

<sup>52</sup> O'Mahony, M and de Boer, W (2002) "Britain's relative productivity performance updates to 1999." NIESR.

Figure 1

## INTERNATIONAL COMPARISONS OF PRODUCTIVITY 2005



Source: ONS International Comparisons of Productivity (2005).

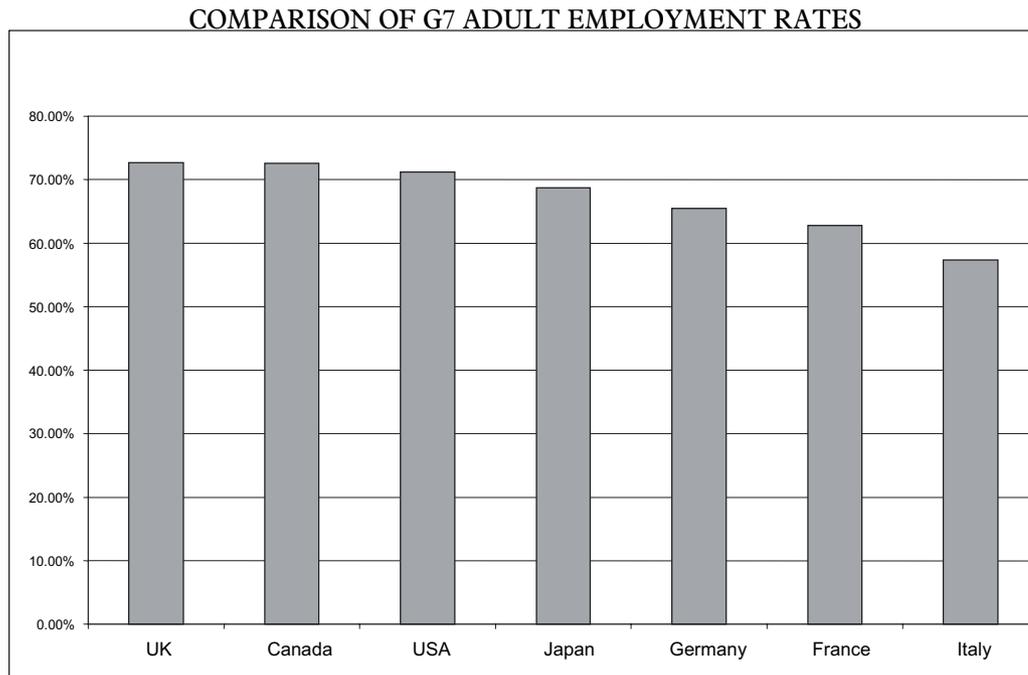
6. Skills levels are difficult to quantify and, when presenting data, the level of qualification is commonly used as a proxy for skills. However, it is important to bear in mind that skills and qualifications are not necessarily the same thing.

7. The OECD<sup>53</sup> reported that the UK has more people with low qualification levels than many major comparator OECD countries and is ranked 18th across the OECD. In 2003 the proportion of the UK population with low or no qualifications was around 35 per cent compared with less than 20 per cent in Japan, Germany and the United States. A significantly smaller proportion of the UK population attained at least an upper secondary education compared with other comparator countries such as the United States, Germany and France. However, the UK performed relatively well on high-level qualifications compared with Germany and France but is still behind the US, Japan, Sweden and Canada.

8. The UK employment rate is impressive by international comparisons: the UK has the highest employment rate in the G7 (Figure 2) and fourth highest in the EU25, after Denmark, The Netherlands and Sweden.

<sup>53</sup> OECD Education at a glance 2005.

Figure 2



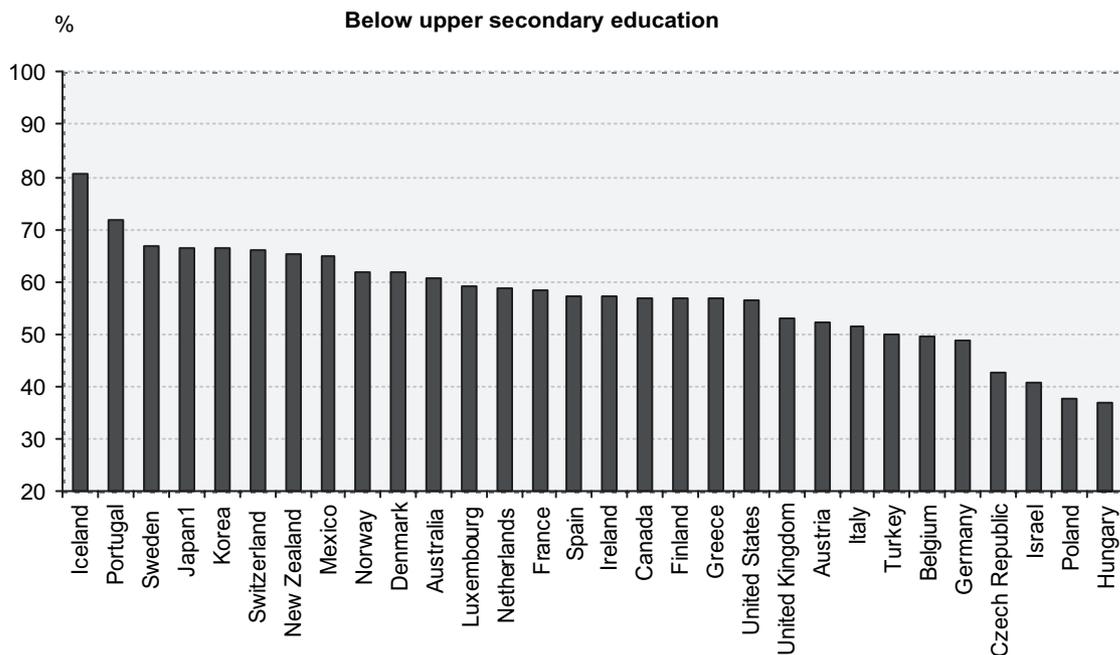
*Notes:* Figures refer to 2004 and are for all those aged 16–64 in UK and USA and all those aged 15–64 in Canada, Japan, Germany, France and Italy.

*Source:* OECD Employment Outlook 2005. The UK employment rate was recorded to be 74.6 per cent for the three months ending May 2006.

9. However, the UK does less well with the comparative employment rate for people with low or no qualifications. The employment rate of people with below upper secondary education is significantly higher in many comparator countries and UK is ranked 21 across the OECD states. (Figure 3)

Figure 3

**EMPLOYMENT RATES BY EDUCATION ATTAINMENT (2004)—PERCENTAGE OF THE  
25 TO 64 YEAR OLD POPULATION THAT IS EMPLOYED**

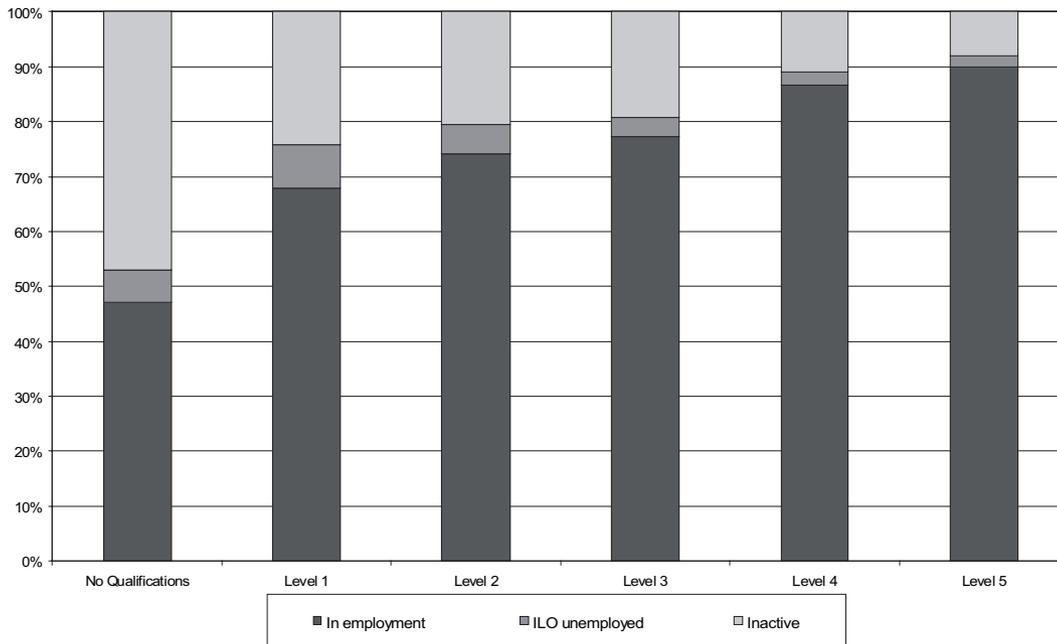


Source: OECD Education at a Glance 2006.

10. Just focusing on GB figures, the employment rate for people with no qualifications at all is significantly lower than the employment rate for those with some qualifications (47 per cent compared with 68 per cent for those with Level 1 qualifications). It is having no qualifications at all that seems to put people at a disadvantage in the labour market. (Figure 4)

Figure 4

GB ACTIVITY RATES FOR THE WORKING AGE POPULATION (AGED 16–59/64) BY QUALIFICATION LEVEL



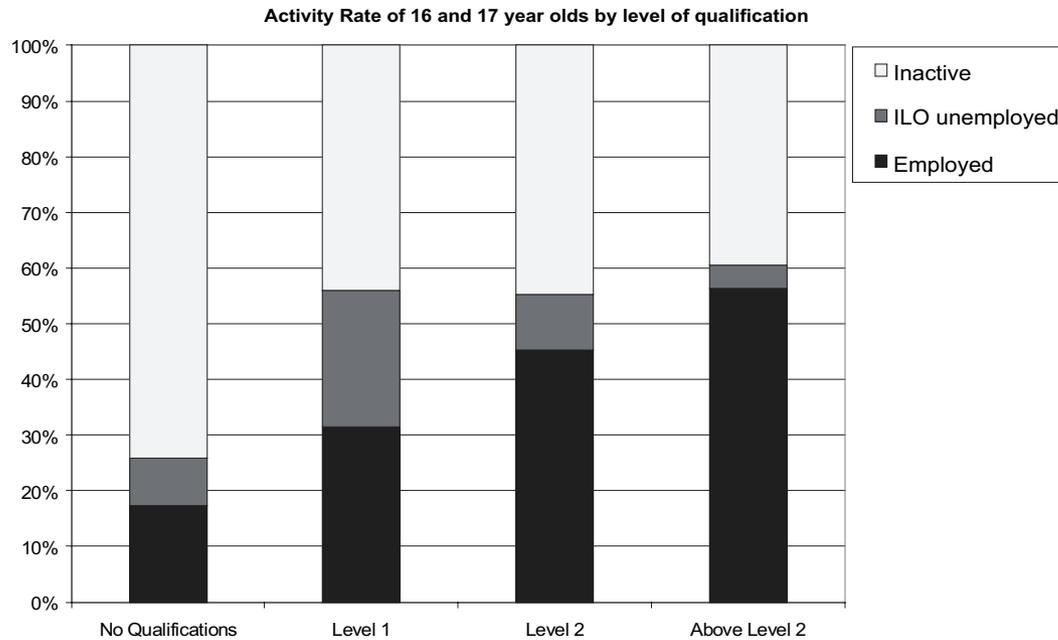
Source: Labour Force Survey, Spring 2006.

EMPLOYMENT RATES AND SKILLS LEVELS OF YOUNG PEOPLE

11. Figures 5 and 6 show that, as with the working age population as a whole, it is those young people with no qualifications who are at a particular disadvantage in the labour market. The employment rate for those aged 16–17 with no qualifications is only 17 per cent compared with 31 per cent for those with a Level 1 qualification and 45 per cent for those with a Level 2 qualification. Similarly the employment rate for those aged 18–24 with no qualifications is 41 per cent compared with 57 per cent for those with a level 1 qualification and 68 per cent for those with a Level 2 qualification.

Figure 5

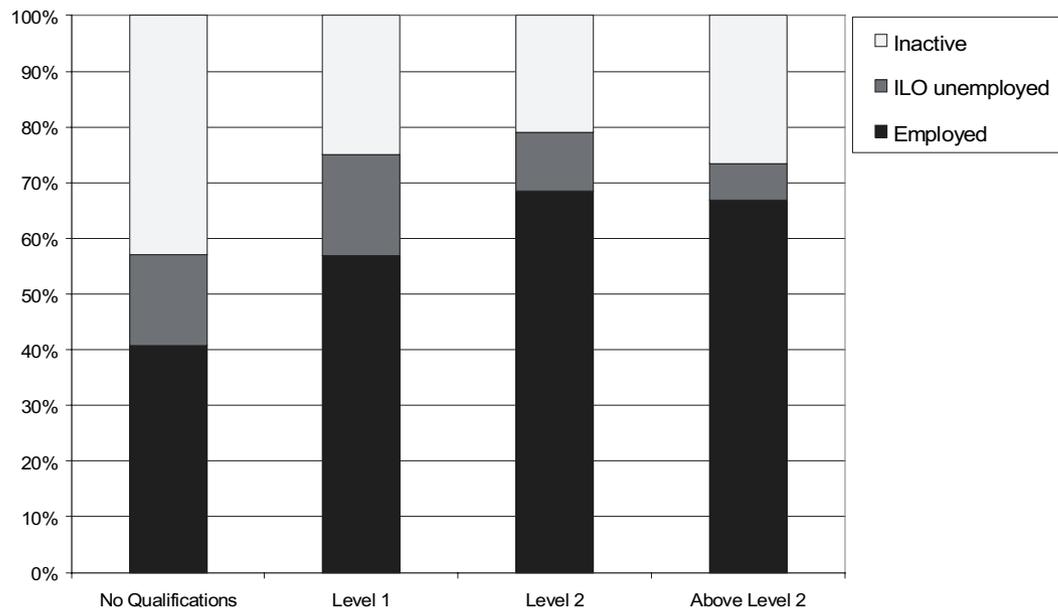
## ECONOMIC ACTIVITY RATES FOR THOSE AGED 16–17 BY LEVEL OF QUALIFICATION



Source: LFS 2006.

Figure 6

## ECONOMIC ACTIVITY RATES FOR THOSE AGED 18–24 BY LEVEL OF QUALIFICATION



Source: LFS 2006.

12. DWP analysis<sup>54</sup> shows that a lack of qualifications reduces the probability of being employed by an average of 21 percentage points for young people (aged 16–24), which is much larger than the marginal effects for the working age population as a whole (12 percentage points). A lack of qualifications is likely to play a

<sup>54</sup> How does a lack of qualification act as a barrier to employment? Payne, L. DWP 2006 (unpublished).

bigger role for younger people since more young people are leaving school with qualifications, and young people are less likely to have work experience, references and employability skills.

13. As well as a lack of skills, some of the key factors affecting the employability of young people include: lack of confidence; career/vocational direction or motivation to find work; transient or non-existent work history; poor employer attitude towards employing young people; and transport/travel difficulties.<sup>55</sup>

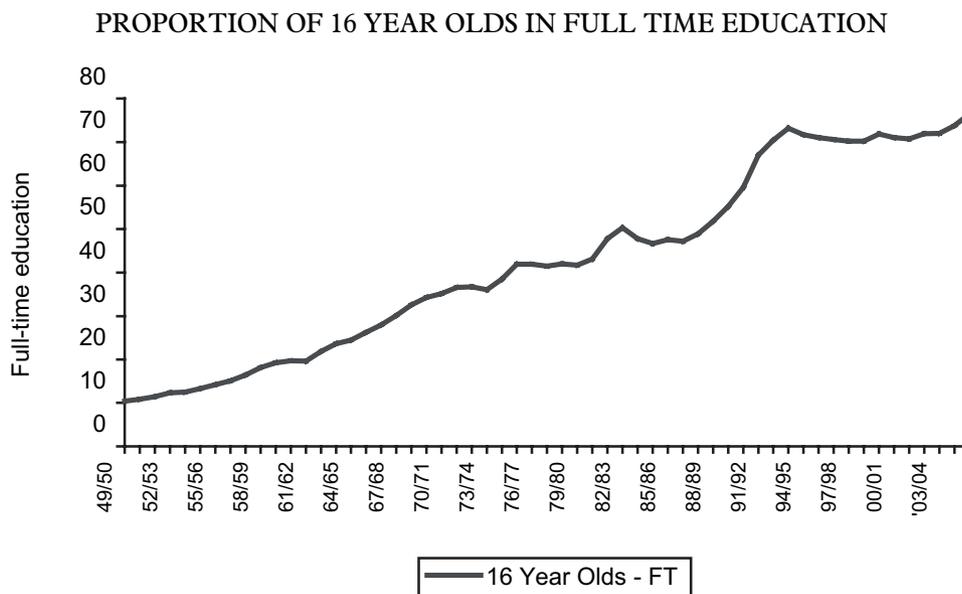
14. A survey of employers recently carried out for DWP (publication forthcoming in Spring 2007) found that when employers recruit for low-skilled jobs they are looking for candidates with good interpersonal/teamwork skills, motivation and self-presentation. The most common approach to recruitment was by formal interview (67 per cent) during which employers decide on whether the applicant has the required skills and attributes.

15. The call for evidence specifically asks about the impact of migration from the A8 countries on wage and employment opportunities for low-skilled young people. DWP analysis on the impact of migration has primarily been for everyone of working age, not focused just on young people. However, the key point is that the UK labour market is dynamic, with 6–7 million people moving jobs each year. The inflow of A8 workers makes up a relatively small part of the overall turnover in the labour market. Since accession employment has continued to grow, vacancies remain high and there is no discernible evidence that the rise in claimant unemployment can be attributed to the inflow of accession country migrants. In addition to this, those sectors where migrants are concentrated have not seen any differences in their wage growth, compared to sectors where migrants are not so prevalent which further suggests that there is no significant impact of Eastern European countries on the wage and employment level in the UK.

16. The analysis presented so far shows that once young people leave the formal education system with no qualifications, they face significant labour market disadvantage. It is crucially important therefore that we reduce the flow of young people entering the labour force with no qualifications. The Skills for Life Survey<sup>56</sup> reported that over one in six young people leave school unable to read, write and add up.

17. Figure 7 looks at trends in participation in education and training amongst 16 year olds. The proportion of 16 year olds in full time education has increased by 30 per cent in the last 20 years. The increase in trend flattened in the mid-1990s although there has been a recent slight upturn. Similar recent upturn in trend was observed for the 17 and 18 year olds in full or part time education and training. The largest increases have been for those continuing in full-time education—in 1994 71.1 per cent of 16 year olds continued into full-time education, in 2005 this figure was 76.5 per cent. For those aged 17, 59.5 per cent were in full-time education in 1994 and 62.9 per cent in 2005.

Figure 7



Source: National Statistics SFR.

<sup>55</sup> *Experiences of New Deal: Qualitative profiles of young participants* ESR71 (2001).

<sup>56</sup> *Skills for Life Survey* DfES 2003.

18. The latest DWP analysis suggests that there are 141,000 in the NEET group. Note that DWP estimates the numbers who are NEET using the Labour Force Survey whereas DfES estimate the numbers of NEETs using matched administrative data. DfES therefore produce lower estimates than the DWP figures but still show a similar trend with the proportion of NEETs increasing. The increase in numbers seems to be driven entirely by men and by an increase in inactivity which suggests that an increasing number of NEETs are disengaging from the labour market completely. Around 35 per cent of 16 or 17 year old NEETs have no qualifications and a further 44 per cent have qualifications below level 2. The growth in NEETs since 2002 has mainly come from the group with below level 2 qualifications. The majority of NEETs are not in receipt of benefits.

**Figure 8**

TRENDS IN NUMBERS OF NEETS (1994–2005)

	<i>NEETS Levels</i> <i>(000s)</i>
winter 1994	93
winter 1995	104
winter 1996	112
winter 1997	113
winter 1998	105
winter 1999	97
winter 2000	106
winter 2001	122
winter 2002	131
winter 2003	118
winter 2004	135
winter 2005	141

Source: Labour Force Survey.

19. Research<sup>57</sup> shows that once young people become disengaged from learning or work they start to face multiple barriers to re-engagement. While women were likely to mention lack of confidence, lack of experience and childcare as holding them back, young men were more likely to mention drug, alcohol or substance abuse or having a criminal record (38 per cent of disadvantaged men aged 18–21).

#### WHAT ARE THE NEXT STEPS IN DEVELOPING SUPPORT FOR YOUNG PEOPLE?

20. In Budget 2003 the Chancellor announced a review of financial support for 16–19 year olds building on the foundations of a DWP/DfES review started in August 2002. The review's report *Supporting Young People to Achieve*,<sup>58</sup> setting out a long term vision for a "single, coherent system of financial support for 16–19s" was published alongside the Budget 2004.

21. The review's report set out a number of *intermediate steps* (start date April 2006) to improve the financial support system for 16–19 year olds. These are:

- changes to Child Benefit and Income Support rules to extend financial support to unwaged trainees and to 19 year olds finishing their course;
- revised guidance for JCP staff to improve and simplify the processing of claims for JSA by 16–17 year olds under the estrangement criteria; and
- joint DfES/DWP guidance for parents and young people on financial support including the new arrangements.

22. The review also sets out a long-term vision of a single, coherent system that supports and incentivises young people to remain in post-compulsory education and unwaged training. The system proposed aims to address the increase of NEETs and the need to increase engagement with training, education or work through:

<sup>57</sup> Stone, V, Cotton, D and Thomas, A, 2000, *Mapping Troubled Lives: Young people not in education, employment or training*, DfEE; *Breaking barriers? Reaching the hardest to help*, The Prince's Trust/Royal Bank of Scotland, 2003.

<sup>58</sup> The report and the Government's response to the consultation following the report can be found at [www.hm-treasury.gov.uk/financialsupport](http://www.hm-treasury.gov.uk/financialsupport)

- active intervention from school-leaving age;
- rationalised and conditional financial support;
- building on the success of Educational Maintenance Allowance (EMA);
- strengthening rights and responsibilities; and
- being able to move between activities without having to put in a new claim.

23. Following the consultation on the proposals in *Supporting Young People to Achieve*, two interlinked pilots were announced in the 2005 Budget, to be delivered by DfES:

- £60 million to pilot Activity Agreements and Allowances for 16–17 year old NEETs, to support and encourage them back into learning; and
- £80 million to pilot a Learning Agreement for 16–17 year olds in work with no training, to increase learning options for this group.

24. Whereas Educational Maintenance Allowances are aimed at those who are close to the education system, the activity agreement is aimed at those who are long-term NEET—the entirely disaffected. The overall aim is to encourage those who are not engaged in any productive activity to agree with a personal adviser a course of action that will get them to start an activity that will result in a return to education or training or work. If the job was without training, then the young person could then qualify for a Job With Training incentive. The pilots run until 2008. Evaluation will be in two parts—interim findings as they progress to inform as far as possible future developments together with a final report on completion.

#### HOW DOES THE UK POLICY COMPARE WITH OTHER OECD COUNTRIES?

25. In most OECD countries, governments share the British aim to increase the proportion of 16 to 19 year olds in full-time education or training. There is a broad policy consensus that employment trends mean that the labour market will increasingly require higher general skill levels and more flexible learning skills. There is also consistent evidence that those young people who do not complete the equivalent of an upper secondary education will make less successful economic and social transitions to adult life.

#### WHAT IS GOVERNMENT POLICY FOR LOW-SKILLED YOUNG PEOPLE AGED 18–24?

26. One million new JSA claims are made by 18–24 year olds each year, but only 160,000 young people go on to start a spell on New Deal for Young People. Of the people that go on NDYP, very few of them go on to any kind of formal training. This is mainly because of the work-first nature of the programme and the success of the initial Gateway part of the programme.

27. Just 12 per cent of the 1.4 million NDYP participants since 1998 have been on the Full Time Education and Training Option. The bulk of the success of NDYP has been achieved by actively checking benefit conditionality, through promoting job search and by motivating participants. Over 400,000 of the 600,000 young people that have left NDYP to work since 1998 have done so before the Option stage of the programme, so the main help that they have had has been the promotion of job search and motivation.

28. Formal training programmes are not the main conduit for unemployed 18–24 year olds to acquire skills. The experience over the last 10 years has been that most people get work with a minimum level of help and of those that are helped through a programme most do it through the promotion of soft skills and job search.

#### WHAT DO WE HAVE TO CONSIDER FOR THE FUTURE?

29. The Leitch interim report<sup>59</sup> comments on the change in age profile of the UK population and considers trends in occupational and qualification profile of jobs in UK to 2020. With an ageing population, the 15–19 age group is projected to drop by 400,000 between now and 2020.

30. The interim Leitch report builds on the Working Futures projections to look at the likely occupational structure by 2020. These projections suggest that the UK will continue its move away from primary and manufacturing-based sectors towards service-based sectors. Overall around 2.2 million extra jobs are expected to be created by 2020. The groups that are expected to show the largest expansion in the next 15 years are at the higher end of the occupational spectrum. Professional and associated professional and technical jobs are occupations expected to rise by 980,000. There are also large increases for the less-skilled labour—personal service occupations (640,000) and sales and customer service (560,000). Contraction in demand is expected for

<sup>59</sup> *Skills in the UK: The long-term challenge Interim Report*, HMT December 2005.

the lowest skilled elementary occupations (– 840,000). There are also declines predicted in administrative and secretarial (– 360,000), skilled trade, and machine and transport operative occupations.<sup>60</sup>

31. DWP economic analysis suggests that the supply and demand for skills is likely to change and that the overall occupational structure will change but see this change as being more likely to occur slowly over a long period of time. While there is likely to be increased demand for higher skilled jobs there will still be some demand for lower skilled jobs in the future.

32. The key policy challenge for the future is to reduce the proportion of young people leaving the education system with no qualifications and to maximise the proportion of 16–17 year olds remaining in education. The recently published Leitch Review<sup>61</sup> states that the UK must aim for world class attainment among young people. The UK must avoid a new generation of young people leaving school with no qualifications. The review goes on to suggest ultimately changing the law so that all those up to the age of 18 should remain in full or part-time education or workplace training.

33. If the education system delivers a highly skilled flow into the workforce there should be a significant reduction in the proportion of low-skilled young people aged 18–24. However, in the meantime we need policies to address the issues facing this group. For those aged 18–24 with low or no qualifications who are on benefits, DWP's approach is employment focused ie to try and move these people into employment as soon as possible. The Leitch Review puts a greater emphasis on the need to move people into sustainable employment. It also recommends screening all benefit claimants for basic skills needs and providing appropriate support for those with identified training needs. It is important that those low-skilled young people who move into work are given the opportunity to train whilst in employment. Evidence from the British Household Panel Survey shows that 70 per cent of those with no qualifications had received no training at work in the previous five years, which suggests that those with no or low qualifications are the least likely to be offered training in the workplace. The Leitch Review proposes that employers should be encouraged to train all employees who are below Level 2. It also recommends greater employer involvement in the design of qualifications. If qualifications are developed to reflect the skills employers demand, it may mean that they will be more willing to give their low-skilled employees a second chance to gain those qualifications. The government is currently considering how best to implement the recommendations laid out in the Leitch Review. This work is currently being progressed as part of the Comprehensive Spending Review which is due to report in Summer 2007.

December 2006

### **Memorandum by the Electrical Contractors Association (ECA)**

1. *How do skill levels, productivity and employment rates compare across different sections of the labour force and how do they compare with other countries, such as the United States, Japan, France, Germany, Italy and Spain?*

1.1 The Electrical Contracting Industry has a well-established grading scheme that recognises the competence levels operatives within the electrotechnical industry are working to. The scheme is administered by joint Industry Board (JIB) and recognises all operatives from initial trainee to fully qualified senior engineer.

1.2 Other countries have a requirement to be fully qualified before operatives are allowed to work in the industry and have similar grading structures to the voluntary one in the UK.

2. *Is there a particular problem concerning productivity and employment levels among the unskilled young? If there is a problem, is it different to the problems faced by all unskilled workers, irrespective of their age?*

2.1 To become fully qualified the electrical contracting Industry requires operatives to be qualified to level 3 and above. Government policy does not address the ageing demographic of the Electrotechnical Engineering and Building Services Industries for the direct employed and indigenous work force.

2.2 Entry into the electrical contracting industry for a school leaver is a minimum of three GCSE A–C and they can enter at a higher level with A levels or a degree in an appropriate engineering discipline.

2.3 Employers seem to be increasingly reluctant to employ 16 year olds, as they perceive them to be too high a cost on the businesses profitability before they can begin to make a positive contribution.

<sup>60</sup> Leitch Interim report, December 2005.

<sup>61</sup> *Prosperity for all in the global economy—world class skills Final Report*, HMT December 2006.

2.4 School leavers have increasingly been leaving compulsory education with inappropriate qualification at a suitably high level to enter into the industry. The 14–19 diploma goes some way in potentially addressing this issue but there is concern within the industry that the new diplomas will split the education system and be seen as an inferior qualification forcing young people to make decisions about their future career prospects at the age of 14.

2.5 Some electrical contractors would like to fill their skills gaps with mature people but find funding for 19–25 year olds restricted, and there is no funding for more mature adults. Mature candidates find it difficult to support themselves and their families on the pay levels that are offered to unqualified trainees during the first few years of a training program while experience is being gained.

2.6 Unfortunately some training providers are exacerbating the situation by offering level 2 training that is not recognised by the Electrical Contracting industry. Whilst these qualifications are a good background to the industry new entrants in to the Electrical Contracting industry are still required to complete a level 3 training program.

3. *Does the evidence suggest that employment rates and earnings among young people are limited by a lack of appropriate skills?*

3.1 There is no position within the electrical contracting industry that does not require some basic technical knowledge. There are opportunities as trainees or apprentices but these are limited due to Employers being increasingly reluctant to employ 16 year olds, as they perceive them to be too high a cost on the businesses profitability before they can begin to make a positive contribution.

3.2 Pay rates are low for individuals during the initial training period and is sometimes seen to be unattractive in the short term. As people gain experience and qualifications pay levels increase and opportunities exist to develop a rewarding career in the Electrotechnical industry.

4. *Have wage and employment opportunities for young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over recent years?*

4.1 The JIB sets recommended minimum pay rates for the Electrical Contracting Industry, whilst there has been increased competition pay has remained stable.

4.2 The main problem facing employers is finding enough suitably qualified people within the indigenous population to fill a contract and so have to turn to foreign labour to service their contracts.

4.3 There is some evidence, particularly in Liverpool, that local electricians are finding it difficult to get employment due to the influx of Polish Electricians. This is having a knock on effect on the number of apprenticeship places available.

5. *How accurately can we predict the likely future pattern of employment? Which areas of activity are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?*

5.1 By its very nature the Electrical Contracting Industry, as well as construction and engineering, will always require highly qualified engineers and operatives to function. Opportunities already exist and with the ageing demographic of the industry more vacancies will become available in the future. The issue will be are there are enough people willing to be trained who have the ability to meet the required standard of the training program to allow safe working and operation of key technical system.

6. *What is the rationale of government policy in this area? Has policy been based on a proper diagnosis of the problem and does it identify appropriate remedies? How do UK policy initiatives compare with policies adopted in other EU countries and the United States? Do we have anything to learn from those countries?*

6.1 Policy in the UK has not been based on a proper diagnosis of the problem. Most Electrical Contractors in the UK would like to see a compulsory national registration system such as operates in Germany, where you can only use the term electrician when you have completed a national industry recognized training and have registered. You are only able to set up an electrical contracting company once you have gained Meister status, which requires cpd training in technical and business aspects. The employers are much more involved in the training of Apprentices through the Elektro-Innung organizations.

6.2 The Electrical Contracting Industry has an established voluntary registration scheme, the Electrotechnical Certification Scheme (ECS) (affiliated to CSCS) for individuals, administered by the Joint Industry Board (JIB).

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

7.1 The existing training programs have been developed in consultation with the industry and while they need to be continually updated to reflect modern technology and changes to regulations and legislation, generally meet the training needs of the industry. The problems arise in the abilities and ethos of young people, particularly if leaving compulsory education at 16 with insufficiently high enough qualification and ability to go on to the level 3 program of study required to be qualified within the Electrical Contracting industry.

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

8.1 The Electrical Contracting industry has a good training scheme and stills offers approximately 4,000 apprentice places per year. Employers seem to be increasingly reluctant to employ young people, as they perceive them to be too high a cost on the businesses profitability before they can begin to make a positive contribution. Some electrical contractors would like to fill their skills gaps with more mature people either after studying at A level or in their early 20's but find funding for 19–25 year olds restricted and no funding for more mature adults.

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

9.1 Existing training programs in the Electrical Contracting Industry have been designed as part time, block realise, day realise and full time to suit the individual learner and the employers business need.

9.2 There are increasing concerns regarding how employers can comply with Health and Safety legislation for employees under the age of 18 when working on construction and engineering sites.

9.3 Future training programs may have to reflect this, and be developed to have a more theoretical element during the initial training period while the trainee learns how to safely conduct their business on site, and the correct technical standards they should be working to.

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

10.1 Legislation requiring all people operating within the Electrical Contracting Industry to be formally qualified, would address under qualified operatives working within the industry.

10.2 Additional support for employers who are willing to employ and train new entrants in to the industry may go some way to reducing the skills gap within the industry.

10.3 A major concern of the ability of new entrants to reach the level required by the electrotechnical industry is still of concern. The new 14–19 diplomas are expected to help address these concerns, but there is still the requirement for potential industry entrants to have a good aptitude and good levels of education to be able to become qualified and operate safely with in the industry.

January 2007

**Letter from Mrs Diane Johnson, Director, Eric Johnson of Northwich Ltd**

I am a Director of the above Company which was established in 1946, and during this period have trained over 300 apprentices in the Electrotechnical Industry, and at present have 15 apprentices in different stages on our books. We are small/medium company employing 50 people. I also sit on the Boards of Summitskills and the Electrical Contractors Association and I have sought views from other Electrical Companies and wish to comment on the above inquiry.

At present, Government policy indicates an aim to secure University places for up to 50 per cent of young people, I would question what happens to those individuals who have been to University but cannot achieve employment, will this mean that they will try to secure employment in the areas that the low skilled are also trying to secure. An employer would obviously look more favourably on employing a higher skilled person, even if only for a short period. This practice is already happening, many graduates are finding difficulty in gaining employment, this company has personal experience of graduates applying for apprenticeships, and in other sectors they are even now taking the jobs that lower skilled workers would normally fill. The assumption must not be made that if you attain a University place then skilled employment is a certainty.

1. *How do skill levels, productivity and employment rates compare across different sections of the labour force, and how do they compare with other countries, such as the United States, Japan, France, Germany, Italy and Spain?*

This is not a problem for us in the Electrical Sector; we train to the skill level individually chosen by the employee, where skill level parameters are set for the operative and achieved by constant and detailed monitoring, with wage rates set for all the different grades, negotiated annually and paid on a national basis.

As how we compare this Country with others Countries named, they have different economic objectives from ourselves, by encouraging and creating a vibrant home and export market economy, where companies can invest in the youth of their countries, with the support of the Government.

2. *Is there a particular problem concerning productivity and employment levels among the unskilled young? If there is a problem, is it different to the problem faced by all unskilled workers, irrespective of age?*

There is a particular problem with regard to the unskilled young, they appear to have a poor work ethic, it seems not enough education is given to prepare young people for life in the working environment. Examples are the amount of sickness days taken, timekeeping and attitude to authority, they lack a sense of responsibility for attending work.

Many young people today are also under the impression that you can achieve celebrity status and earn enormous amounts of money without any qualifications of training, they see this being portrayed every day of the week in the media and on television.

In our schools it is not “cool” to be clever or show any aptitude to learn, we need to emphasise that learning is a life skill, but also in the same breath explain that it is totally acceptable not to go to University.

There is a perception in schools that to achieve in a trade is not as good as achieving academically, this trend must be reversed.

Employers especially in Construction find Clients obstructive to having young persons under 18 on site, also insuring such workers is more expensive and at times difficult to obtain. In previous years young people were able to have greater access to a range of work experience programmes, to enable them to sample the working environment and also to give them a taste of what working in a certain field would be like. Now young unskilled people do not have that opportunity and often go into jobs without any knowledge of what would be required of them and then realise it was not what they were expecting, hence the problems indicated above.

As stated previously, as a company we have trained many young people and we must not underestimate their potential, but we have to accept that in this social era it is more time consuming, employers have to spend more time on Human Resource problems. Many companies find a more cost effective way to man their labour requirements.

We need to make it financially viable for any company to train whatever their size, and educate companies to make it their moral responsibility to invest in the youth and train for the future.

Perhaps it may be worth Government considering a form of tax rebate on the corporation tax paid by companies, that can prove that their individual training policy and programmes has led to secure employment, or to a recognised industry standard for others to benefit from, as defined in question 6.

Another possibility is that the Government should make it a Contract Condition that companies working on any National/Local Government Contract (Inc Schools, Hospitals, Government projects ie 2012 Olympics etc) employ apprentices.

3. *Does the evidence suggest that employment rates and earnings among young people are limited by the lack of appropriate skills?*

Not in the Electrical Sector, employment opportunities with the Electrical Contractors Association are offered, by the skill level of the operative, which dictates the rate of pay, and earnings, and agreed annually with all the relevant parties annually on a national basis, good companies somehow must be encouraged to invest in the youth of this country, in a market economy where they can be profitable, and create sustainable, well paid jobs.

4. *Have wage and employment for the young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over the recent years?*

This is obvious to everyone, the migrant workforce is already being widely used by many employers in this country. Most migrants especially Polish, have learned to speak fairly good English, they are polite, and in many cases highly skilled, and have superb work ethics (ie good day's work for a decent day's pay). These people can earn more in a week in this country than they can in a month in their own country. We have been reliably informed that a Polish Electrician earns approximately £65.00 per week in Poland, so it stands to reason that if he/she can obtain employment in their field of work then they will happily work for less than our work force. This makes economic sense for a company to employ an already trained operative and possibly pay less than his English counterpart.

For many companies an easier way to fill the skill gap than have the expense and employment law problems of employing our own young people.

5. *How accurately can we predict the likely pattern of employment? Which areas of activity are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?*

This is one of the major elements of the piece of work being undertaken by Summitskills to develop their Sector Skills Agreement.

Also the Education and Training Committee of the Electrical Contractors Association, together with many training providers, as we are very proactive in this area, and are always aware of the future market potential, but it must be understood that we are in the service industry, and mostly rely on other companies investment for our work, but we do analyze and forecast on a regular basis.

6. *What is the rationale of government policy in this area? Has the policy been based on a proper diagnosis of the problem and does it identify appropriate remedies? How does the UK policies initiatives compare with policies adopted in other EU Countries and the United States? Do we have anything to learn from these Countries?*

We can always learn from others, our existing government's policies are not working for many reasons, the main reason for most companies is plain economics. In our industry it is expensive to train, and the person you have trained can leave you at anytime, and a competitor can benefit from their experience which has been at the original training employers cost, which usually is thousands of pounds. So there must be some level playing field created, where employers who train are not financially disadvantaged, and the others who are not training are encouraged to train.

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

It is imperative that young people leave full time education with the basic skills of numeracy and literacy, how can companies give training of any sort if the employees do not not have grasp of the basics required.

On joining any responsible company, to ensure the health & safety and welfare of the employee, an induction procedure is generally undertaken, although the majority of the induction can be carried out verbally, the new employee will have to be able to read and understand written instructions as it is not always practicable to verbally convey instructions.

This present Government on their manifesto quoted Education, Education, Education if education is not the teaching of all the basic requirements, and then the gaining of further knowledge, then I and many other employers no longer understand what Education stands for.

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

We the Electrical Contractors Association have been supplying the industry with skilled personnel for as long as we have been in existence. The skill levels in our Industry are higher now than they have ever been, but training is expensive, and achieved over a three to four year period. With not only the college participating, time must also be allocated by companies themselves to train and pass on individual skills, together with computer training and accessibility to IT equipment to complete their modules and course work for college.

Young people attend colleges and receive "part training" to NVQ levels 1 and 2, and then are unable to find meaningful work with placements for work experience with an employer for their practical and individual module training to complete the course qualification, to an accredited competent level.

The result being, the training that they have received is either lost to the industry completely, or they are working in the black economy in all types of industry without the necessary recorded competent skills, through no fault of their own, as they were badly advised when they took placements on these courses.

We support the Leitch review proposal that funding should only be applied to economically valuable skills and qualifications.

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

We would suggest that the money allocated for training, would be better utilised by having proper apprenticeships, to an industry standard, with secure placements, where the only objective is to train and engage young and the more mature personnel with a promise of full employment, and wages to reflect the standard, which they have individually achieved in our industry.

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

It is essential that as identified by Lord Leitch we raise skill levels right across the base of all workers.

It is surely in the interest of all that we oppose any market reform that would increase employment for the unskilled, as this would probably lead to lower pay and conditions.

The health and wealth of this country should be based on its people's ability to compete with the rest of the world, and that can only be achieved if we endeavour to invest, to educate, and up skill wherever possible.

I wish to thank other member companies of the Electrical Contractors Association with special thanks to Victor Parkin MD Powerlink Electrical Services for their input to this Call for Evidence.

5 January 2007

**Supplementary letter from Mrs Diane Johnson, Director, Eric Johnson of Northwich Ltd**

Eric Johnson of Northwich Ltd has no difficulty finding suitable young people for apprenticeships. I attribute this in part to the company's location in Cheshire where standards in local schools are good. An apprenticeship in the electrotechnical sector leads to a qualification recognised by industry-wide agreements and also provides the opportunity to continue to Higher Education.

When a young person applies to the company for an apprenticeship the company refers them to a Training Provider. The young person takes a test and if passed their name is forwarded to the company who interviews the candidates. The Training Provider then accesses the government funding which covers the training element of the apprenticeship. The company tries to take as many local young people as possible.

Schools in the region encourage all students with good grades to continue in 6<sup>th</sup> form or 6<sup>th</sup> form college with a view to university entrance. Even when Connexions (the careers service) give talks to schools, apprenticeship is not mentioned as an option for school leavers. My experience is that schools refuse to invite employers in to inform students about apprenticeship opportunities.

I consider that guidance to young people should start at least at age 14, so that students are aware of the school qualifications they will need obtain to fulfil their career aims.

Small companies, especially those outside large metropolitan centres need to train to try to ensure a good supply of skills. However, since, nationally, there is a shortage of training places and consequently a shortage of skills, poaching is a major problem. The company would take on five electricians tomorrow if they were available. Not only is there a current skills shortage but also a looming replacement problem because too few have been trained in the past 20 years.

An illustration of the excess demand for apprentice places is the case of JTL, the major Training Provider for the electrotechnical sector. In 2006 JTL received 20,000 applications for apprenticeships in the sector. Of these, 12,000 took the written test that JTL uses to pick out suitable candidates. 9,000 passed and places were found for just 2,500.

The Government could make training an apprentice a condition of bidding for government contracts. Companies also need greater incentives to train. Costs of training could be shared more fairly across the sector if some form of levy/grant were applied. Another way of encouraging employers to come forward would be if the Education Maintenance Allowance (payable to full-time FE students on a means-tested basis) were payable to apprentices in their first year then this would help to offset the heavy costs to employers of the early years of the apprenticeship (which lasts four years).

Companies also incur heavy insurance costs on Health and Safety grounds if young people are to be allowed to work on clients' premises. These costs also constitute a disincentive to train.

25 January 2007

#### **Memorandum by Professor Andy Furlong, University of Glasgow**

1.1 To an extent, Government policy towards low-skilled young people continues to be guided by a dated model of school to work transitions based on a dichotomy between employment and unemployment (or NEET) and an assumption of linear movement. In reality, transitions are protracted and complex with many young people being "churned" between a series of low skill and insecure jobs.

1.2 There has been an increase in the number of young people in temporary and casual forms of employment and this is a trend that has had the greatest impact on the less skilled (Furlong and Kelly, 2005 "The Brazilianization of youth transitions in Australia and the UK", *Australian Journal of Social Issues*, Volume 40 (2)).

1.3 For many, it is extremely difficult to progress from insecure to secure positions or from unskilled to skilled positions. In a study funded by the Joseph Rowntree Foundation (Furlong and Cartmel, 2004, *Vulnerable Young Men in Fragile Labour Markets*) it was noted that while many young men who experienced a protracted period of unemployment subsequently found jobs, most remained in insecure forms of employment and many experienced further periods of unemployment.

1.4 In the Rowntree study as well as in a project carried out for the Scottish Executive (Furlong *et al*, 2003, *Youth Transitions: Patterns of Vulnerability and Processes of Social Inclusion*) it was noted that young people who entered low skill positions were rarely offered the opportunity to undertake training, even when they desired such opportunities. Many companies provided minimal and poor quality training, often confined to providing the basic skills necessary to safely complete core tasks.

1.5 Many initiatives are targeted towards young people who have encountered prolonged periods of unemployment. Such a focus means that those young people who move constantly from one precarious position to another (perhaps punctuated by short periods of unemployment) are never perceived as vulnerable or offered access to further education or training. The numbers of young people caught in these situations seem to be increasing, but the Government seems to have no plans to address the issue.

1.6 The level of training provided by many government initiatives is not of a high enough quality to make a real difference to labour market experiences. Targets need to be more ambitious and priority must be given raising qualification thresholds to level 3 and beyond. Moreover, it is often difficult for young people to complete a training course if they have to move from one employer to another. Given the reduced minimum wage applicable to young workers, it would not be unreasonable to require employers to provide formal training time to all those on youth wages.

1.7 While it is important to raise skill levels, it must be recognised that interventions rarely work unless young people are enthusiastic about participation. Many initiatives are underpinned by some form of compulsion or sanction for non-participation whereas success is often dependent on respect for young people's priorities and in working with them to help them identify ways of achieving goals.

January 2007

### Memorandum by the Institute of Career Guidance

1. *How do skill levels, productivity and employment rates compare across different sections of the labour force and how do they compare with other countries, such as the United States, Japan, France, Germany, Italy and Spain?*
2. *Is there a particular problem concerning productivity and employment levels among the unskilled young? If there is a problem, is it different to the problems faced by all unskilled workers, irrespective of their age?*

The Department for Education and Skills (DfES) officially classifies young people not in employment, education or training (the NEET group) as those aged 16–18; however the Department for Work and Pensions (DWP) defines the age group of those eligible for the New Deal for Young People programme as aged 18–24. For the purpose of this submission we define young people as those aged 16–24.

There is certainly a problem concerning the levels of employment and therefore the productivity of unskilled young people, the perception of which is exacerbated by a lack of reliability over data used to define the issue.

For example, NEET amongst young people in England aged 16–18 has reduced by 14 per cent between 2002 and 2004 according to the data supplied by Connexions Partnerships; however, the Government Labour Force Survey Participation estimates show that NEET increased over this period. The Connexions data is drawn from an engagement with and tracking of more than 90 per cent of young people aged 16–18, whereas the Labour Force Survey estimates are an extrapolation of a small sample of households and estimates of those in learning or work.

The NAO draws attention to comprehensiveness and reliability of the Connexions measure compared with the Labour force Survey data and urges use of the more reliable data set in measuring participation and NEET.<sup>62</sup>

On the basis of the day to day experience of our members working with young people throughout the UK we believe that there is a particular problem concerning productivity and employment levels among the unskilled young. It is not dissimilar to that of older unskilled workers in the sense that a lack of appropriate skills places all such people in a disadvantaged position in securing and retaining gainful employment. It is, however, the case that young people are regarded as being less experienced and less work ready in the context of work place disciplines than many adults. This leads to greater difficulties for this group in securing employment, despite the relatively lower level of wage they are able to command when compared with older workers.

3. *Does the evidence suggest that employment rates and earnings among young people are limited by a lack of appropriate skills?*

Yes, with the exception of unskilled and temporary employment the prospects of young people to secure employment are seriously affected. Many of the jobs such young people are able to secure are lower paid and more vulnerable in terms of job tenure: eg a survey of young people age 16–18 who entered employment without training in one area showed that they are three times more likely to become NEET than young people who enter apprenticeships or further education.

Young people who lack appropriate skills find it more difficult to secure employment and levels of pay that sustain the independence expected by young people as they enter the adult and working world. An increasing number of employers require levels of skills which are beyond those supplied by school leavers at age 16. In addition the age threshold for entering employment is increasing as young people are undergoing post school education and training to qualify at an appropriate level to secure employment.

The recent rise in the level of attainment of 5 Grades A–C\* in GCSE has not led to a commensurate rise in the numbers of young people gaining skilled employment. The levels of functional literacy and numeracy (English and Maths) are still too low despite the overall increase in attainment at Key Stage 4 and beyond. This is an important factor in young people securing skilled employment.

Another factor which is important in this debate is the level of aspiration of many young people, particularly those in low income families and communities where expectations are low through experience and stereotypes.

Levels of academic attainment are not necessarily a function of low ability, although this is the case for some. Young people can be helped to increase their levels of awareness, aspiration and attainment where they are engaged in programmes of career education and guidance.

<sup>62</sup> Section 2.18: National Audit Office: Connexions Service for All Young People—Report By The Comptroller and Auditor General, HC 484, Session 2003–04: 31 March 2004.

By accessing career education and guidance young people are able to identify a wider level of opportunity than is often the case when they are not exposed to this support; their horizons can be expanded and this in turn can increase their level of aspiration. Lord Leitch, in his recent review of skills, emphasises the benefits of career guidance; he draws attention to research that shows students who have access to effective career guidance tend to make more structured and informed decisions.

4. *Have wage and employment opportunities for young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over recent years?*

Anecdotal evidence is starting to show that this is the case. Levels of 16 year old school leavers entering employment (albeit unskilled or low skilled employment) is reducing in some areas of the country where migrant workforces are being employed.

5. *How accurately can we predict the likely future pattern of employment? Which areas of activity are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?*

Evidence suggests that the greatest area of employment growth in the next 10–20 years is likely to occur at Level 3 and 4, whereas the majority of young people in the cohort under consideration are attaining at Level 2 or below. Regional Employment Strategies throughout the UK predict that a higher level of skill will be necessary in the future if individuals and the UK economy as a whole are able to compete in a global market.

6. *What is the rationale of government policy in this area? Has policy been based on a proper diagnosis of the problem and does it identify appropriate remedies? How do UK policy initiatives compare with policies adopted in other EU countries and the United States? Do we have anything to learn from those countries?*

Government policy has rightly addressed the low levels of qualifications amongst individuals and set targets to increase the level of Level 2 attainment. However, this will not be enough if we are to increase the numbers of people securing and able to sustain employment. Furthermore, the attainment of qualifications, including vocational qualifications, is not sufficient to make young people employable or prepared for the world of work. The increase in the numbers of young people gaining a Level 2 qualification has not led to a commensurate rise in the numbers gaining skilled employment. Work based experience and assessment are vital components missing from some further education and training opportunities for young people.

Government must do more to improve the level of preparedness of young people for working life. This must involve increasing their levels of awareness of career and labour market opportunities through a minimum standard of careers education and access to independent and impartial guidance from appropriately qualified and knowledgeable career advisers to enable them to plan and secure employment according to their potential.

Government should take steps to recognise and implement the Council of the EU Resolution which affirmed a priority to their “commitment to the development of high quality guidance for all European citizens, accessible at all stages of their lives to enable them to manage their learning and work pathways and the transitions therein.”<sup>63</sup>

The Resolution stresses the need for particular attention in this respect to be paid to “individuals and groups at risk”. It also states that “guidance provision within the education and training system, and especially in schools or at school level, has an essential role to play in ensuring that individuals’ educational and career decisions are firmly based, and in assisting them to develop effective self-management of their learning and career paths . . . Guidance throughout life contributes to the EU goals of economic development, labour market efficiency and occupational and geographical mobility by enhancing the efficiency of investment in education and vocational training, lifelong learning and human capital and workforce development”.

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

See response to Question 2.

<sup>63</sup> Council of the EU, 2004, Resolution 9286/04.

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

There is a significant issue with the lack of employer engagement in work-based training for young people. In some areas of the country the proportion of young people on apprenticeship programmes is as low as 50 per cent. "Programme Led Apprenticeships" (PLA) lack employer involvement, therefore young people are following what is perceived to be work-based learning, when in fact they lack the critical workplace experience, training and assessment to be fit for skilled employment.

This is particularly the case in the Construction Industry where large numbers of young people are training in FE College and Training Provider programmes, but lacking the essential OSAT (On Site Assessment and Training) that is necessary to qualify for the industry's requirements.

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

Training provision should be linked to the realities of the employment market and employer demands. Many young people who are in jobs without training are unable to access suitable training programmes to improve their level of skill and productivity.

In their efforts to encourage employers to include recognised and accredited training for young people in jobs without training careers advisers, Connexions Personal Advisers and the Learning and Skills Council (LSC) are generally unable to persuade employers to "release" young employees for training either at local colleges or training providers. The employers seem to regard training release as a reduction in the production capacity of the young employee and therefore are unwilling to make an investment.

The successful Train to Gain programme for adults should be extended to young people, with wage incentives or subsidies to encourage their interest and the employers' investment in training.

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

Wage subsidies and learning incentives that attract young people and employers to invest in training.

8 January 2007

### **Memorandum by the Institution of Occupational Safety and Health (IOSH)**

#### **INTRODUCTION**

1. IOSH believes that working safely is an integral part of being a skilled worker and that training all young people in hazard awareness<sup>83</sup> will help prevent accidents/ill health; reduce business interruption and absence; and improve young people's employability. In the under-19 age group, HSE statistics show that each year over the last 10 years (1996–2006) there was an average of six work-related deaths, 1,510 major injuries and 5,135 over-three-day injuries (not adjusted for under reporting).<sup>84</sup> In addition to the human tragedy and suffering associated with this toll, there is also a significant economic cost to employers and society. We believe most, if not all, of this can be prevented.

2. Evidence indicates that people new to the workplace are at a greater relative risk of work-related injury.<sup>85</sup> We strongly believe appropriate training and adequate supervision can help reduce this risk, helping ensure the health, safety, well-being and productivity of tomorrow's workforce. The Learning and Skills Council found that inadequate supervision and/or monitoring of the workplace was the single largest cause (26 per cent) of work-related accidents to learners for 2005–06.<sup>86</sup> IOSH advocates that an understanding of risk concepts and OSH awareness should begin at school and be developed throughout a life-long learning process. We believe education and training in this area can:

<sup>83</sup> Burke MJ, Sarpy SA, Smith-Crowe K, Chan-Serafin S, Salvador RO, and Islam G: *Relative Effectiveness of Worker Safety and Health Training Methods*, American Journal of Public Health. 2006; Vol 96, No 2: pp 315–324.

<sup>84</sup> See annex 1.

<sup>85</sup> See annex 2.

<sup>86</sup> LSC Learner Incident Management System (LIMS) report "Incidents by underlying cause" 1 April 2005–31 March 2006.

- (i) Assist individuals to develop risk management skills that will be valuable in all aspects of life, informing their decision-making and thereby potentially improving the quality of their lives.
- (ii) Help organisations, because having a “risk literate” workforce will help to increase and protect an organisation’s skill-base, encouraging sensible and safe decisions and behaviours, preventing accidents and ill health, and reducing absences and loss.
- (iii) Benefit society, as better risk management by employers will help reduce the massive costs, both human and financial, associated with work-related deaths, injuries and ill health.

#### OSH IN NATIONAL AND VOCATIONAL CURRICULA

3. In addition to inclusion in the national education curricula, we support the government’s *Revitalising Health and Safety Strategy Statement, 2000* (Action Point 34) aim that risk management skills should be an integral part of professional curricula for “safety-critical professions” However, IOSH also believes this requirement has much wider application and that risk and OSH issues should be included in training for other professions, such as medicine, teaching and management and the range of Foundation Degree courses, apprenticeships and forthcoming Specialised Diploma for 14–19 year olds. It is also important that those involved in advising business start-ups and in arranging modern apprenticeships and work placements for young people have adequate knowledge of OSH issues.

4. IOSH is keen to work with others to improve the health, safety and welfare of young people in working environments and so has launched a “young people” campaign to help raise awareness and initiate change. Sponsored by Learning and Skills Council and supported by the British Chambers of Commerce and the National Youth Agency, we have created a free on-line resource centre at [www.wiseup2work.co.uk](http://www.wiseup2work.co.uk) (WU2W) to help teachers, employers and placement officers prepare young people for work. It’s been produced with the help of teachers, OSH practitioners and teenagers themselves and also provides interactive games and a forum for young people to learn and discuss health and safety issues. Since going live in May 2006 there have been over 20,000 visits to the site, with the “UK’s Worst Workplace” teaching notes downloaded over 17,000 times.

5. We have also jointly developed with HSE a “Workplace Hazard Awareness Course” (WHAC), based on the national occupation standard, which can lead to a new qualification for year-10 pupils. The course materials will be free for schools to download from WU2W at the end of January 2007. This training gives pupils basic knowledge on hazards, risks, and solutions and provides progression to vocationally-related qualifications at Level 1 in the National Qualifications Framework. Candidates who take the course and successfully complete the assessments will qualify for the Entry Level Award in Workplace Hazard Awareness (Entry 3), currently offered by British Safety Council Awards. The course is useful to anyone, but it’s specifically designed to help young people improve their ability to spot and understand hazards in preparation for work experience and formal employment.

6. The “Workplace Hazard Awareness Course” helps to deliver the National Curriculum requirement (in subjects such as science, design and technology, information communication technology, art and design, and physical education) that pupils should be taught about hazards, risks and risk control and helps teachers to deliver the National Curriculum Key Stage 4 requirement for work-related learning. Element 8 in the non-statutory framework suggests that students should be able to “describe the main hazards associated with particular types of workplace”. IOSH believes WHAC will also help the government’s aim in *Every child matters* and the Children Act 2004, that all children should be given the support they need to be healthy and stay safe. Additionally, WHAC can help students to develop Key Skills in a number of areas, including Communication, Working with Others, Performing, Problem-Solving and Improving Own Learning. There are no formal entry requirements for the course or qualification, but generally students will need to have the right level of literacy and numeracy skills; however, the material can be differentiated by special needs teachers in order to cater for a spectrum of abilities. It can be taught on-line or face-to-face.

#### OSH AWARENESS: BASIC SKILL FOR EMPLOYABILITY

7. In the drive to address our national skills gap, we need to address the OSH requirements of more potentially at-risk people in the workplace eg school children and young people (undertaking vocational qualifications and work experience)<sup>87</sup> and migrant workers. This presents new challenges and opportunities in terms of OSH training for employers, employees, learners and others involved. The drivers for managing this are clear. In addition to reducing human suffering resulting from accidents and ill health, there are also strong economic reasons for employers to manage health and safety risks. Employers need to ensure that they maintain their

<sup>87</sup> See annex 2.

reputation (important for customers, investors, employees, regulators, insurers, etc) and their employee morale and productivity. They also need to minimise their uninsured losses. The HSE<sup>88</sup> estimate (using 2003 prices) that the typical uninsured cost to employers for a serious or major injury is between £17,000 and £19,000 and cite average uninsured costs for an accident causing absence from work for more than three days at £2,234. Applying these figures, and not adjusting for inflation, to the average annual injury figures for the under 19-year olds, we can estimate that the annual cost to employers is in the region of £38,759,590, based on the calculations below:

1,516 major accidents and fatalities x £18,000	£27,288,000
5,135 over-three-day injuries x £2,234	£11,471,590
Total uninsured cost to employers	£38,759,590 per annum

Note: these figures do not reflect the greater costs to society, which HSE estimate including “Value of a Prevented Fatality”<sup>89</sup> For the six under-19s killed at work each year, this equates to £7,500,000 per annum.

8. The number<sup>90</sup> of school children in schools aged 15 = 777,300 (2005–06) 397,500 male and 379,800 female. If 700,000 year-10 school children all did the Workplace Hazard Awareness Course (WHAC) in school prior to any form of work experience or entering work-based learning, we believe this could lead to reduction in accidents and therefore potential savings for business. Additionally, if we also assume that the completion of WHAC led to less health and safety training being needed in the workplace, for example, one hour less induction required (at a nominal cost of £25 per hour), then this would yield a saving to employers nationwide of £17,500,000.

9. In his recently published final report “*Prosperity for all in the Global Economy: World Class Skills*”, Lord Leitch recommends that the UK commits to a compelling new vision—to become a world leader in skills by 2020. The increased emphasis on vocational qualifications and the government’s drive to increase the uptake of vocational training must also address the OSH aspects of all the vocations concerned. We believe consideration should be given to utilisation of the WHAC material as a potential unit in many vocational qualifications, as well as the new Specialised Diplomas, either as part of the qualifications or, if taken separately, as a credit toward the qualifications.

10. We believe that training all young people in hazard awareness will help prevent accidents/ill health; reduce business interruption and absence; improve young people’s employability; and also reduce the time employers need to spend on induction training. At a recent Prime Minister’s question time, Tony Blair replied to a question from Michael Clapham about WHAC, by saying: “The HSE and IOSH are absolutely right to bring forward a plan that will help to make young people more aware of the potential hazards in the workplace”.

## CONCLUSION

11. In addition to the legal and moral case for good OSH management, IOSH believes most employers acknowledge that “people are the organisation’s most valuable asset” and that consequently, employee protection is vital to their interests. By ensuring the health and safety competence of themselves and their workers, employers help maintain their organisation’s reliability and their skill and experience base—crucial in today’s competitive environment. We therefore argue that adequate OSH skills are essential for sustainable, productive and healthy employment and would welcome further opportunity to contribute to their development nationwide.

## KEY RECOMMENDATIONS

12. In support of training for young people before and during their working lives and to help ensure their safe supervision in working environments, IOSH would make the following recommendations:

- (i) Pupils: WHAC becomes a mandatory part of the national curriculum.
- (ii) Trainees, apprentices and students: training adequately covers OSH and WHAC becomes part of vocational qualifications, as appropriate.
- (iii) Teachers: to be trained to deliver work-related OSH awareness in schools.
- (iv) Placement Officers: those responsible for placing young people in work environments to be OSH trained to ENTO standards.

<sup>88</sup> [http://www.hse.gov.uk/costs/costs\\_of\\_injury/costs\\_of\\_injury.asp](http://www.hse.gov.uk/costs/costs_of_injury/costs_of_injury.asp)

<sup>89</sup> “Value of a statistical life” (VOSL) used by the DfT of £1.25 million, based on 2002 road traffic data. Also used by Home Office, HSE, EA, FSA and other Govt bodies and not insurance-based  
[www.hm-treasury.gov.uk/media/8AB/54/Managing\\_risks\\_to\\_the\\_public.pdf](http://www.hm-treasury.gov.uk/media/8AB/54/Managing_risks_to_the_public.pdf)

<sup>90</sup> Table 1.2 at: [http://www.dfes.gov.uk/rsgatewav/DB/VOL/v000696/Chapter\\_1V1.xls](http://www.dfes.gov.uk/rsgatewav/DB/VOL/v000696/Chapter_1V1.xls)

- (v) Other professions: OSH becomes a core element of professional training and professional development for “safety critical” professions (eg architects, chemists, designers, engineers) and other professions (eg GPs, managers, HR professionals).

**Annex 1**

**DEATHS, MAJOR AND OVER 3-DAY INJURIES TO YOUNG WORKERS UNDER-19  
FROM 1996 TO 2006**

**Fatalities to young workers under 19 from 1996–2006**

(Figures supplied by HSE Statistics branch)

<i>Gender</i>	<i>Number of fatalities</i>
Male	62
Female	2
Total	64
Average 1996–2006	6.4

**Major injuries to workers under 19, 1996 to 2006**

(Figures supplied by HSE Statistics branch)

<i>Gender</i>	<i>Number of major accidents</i>
Male	10,898
Female	4,211
Total	15,109
Average 1996–2006	1510.9

**Over three day injuries to workers under 19, 1996–2006**

(Figures supplied by HSE Statistics branch)

<i>Gender</i>	<i>Number of over 3 day accidents</i>
Male	36,920
Female	14,437
Total	51,357
Average 1996–2006	5135.7

**Annex 2**

**JOB TENURE AND RELATIVE RISK OF WORKPLACE INJURY**

In their 2005 Research Report<sup>91</sup> Davies and Jones estimate that: “After correcting for exposure, those with current employment tenure of less than one month are almost 400 per cent more likely to have a workplace injury than those with 20 years or more experience in their current job. The increased risks associated with tenure are particularly apparent during the first four months within a new job.”

<sup>91</sup> Source: Davies R, Jones P (2005) Trends and context to rates of workplace injury Warwick Institute for Employment Research HSE Research Report 386 74–104.

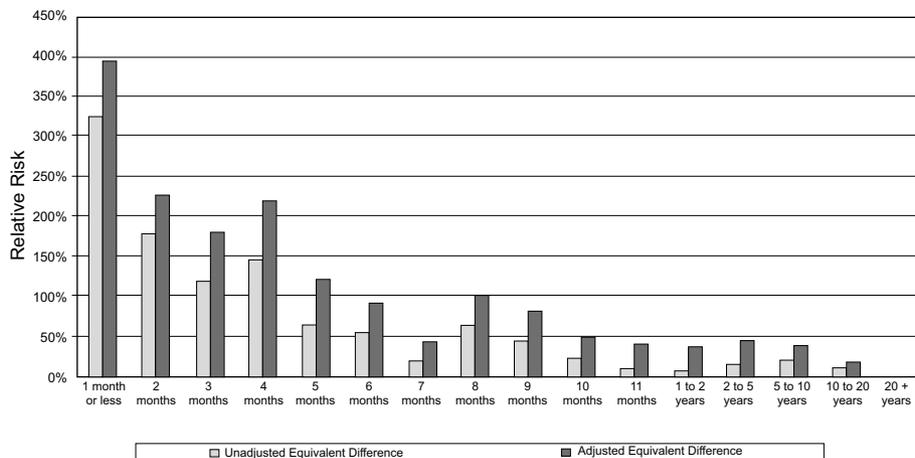
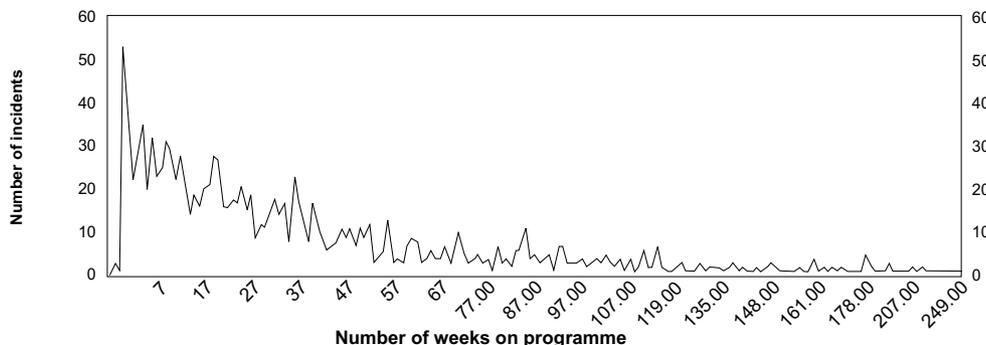


Figure 5.4 Relative risk of workplace injury by tenure

The report explains that in the above chart “. . . the ‘adjusted’ differentials in relative risks, derived from the coefficients in the logistic regressions, are represented as red bars. These represent the separate risk factors associated with particular characteristics having taken account of all other risk factors in our statistical model. These adjusted risk factors presented in the following charts are therefore derived from the same statistical model which incorporates controls for a range of personal, job and establishment characteristics. We present the results on separate charts purely for ease of exposition. Where ‘adjusted’ differentials were found to be statistically insignificant the bars are clear. The unadjusted relative risks are shown as blue bars.”

Figures from the Learning and Skills Council for apprentices in England<sup>92</sup> also support this finding.

**Number of Incidents by Weeks on Programme**



Both of these studies support the HSE’s conclusions, using data from 1996–97, in *Key messages from the LFS for injury risks: Gender and age, job tenure and part time working* in which they identify a link between inexperience (or newness) and accidents, see: <http://www.hse.gov.uk/statistics/keyart.pdf>

The document explains under “Job tenure” that “The LFS can provide the rate of injury for workers who are new to their employer or been less than 12 months, or even six months with the employer. We have to allow for such short time with the employer when deriving the standard incidence rate which is expressed per year. Table 2<sup>93</sup> presents annualised rates of all workplace injury for workers whose job tenure with the employer ranges from less than six months to more than five years.

- (i) Workers in the first few months with their employer have the highest rate of injury once expressed per 12 months.
- (ii) On a yearly basis, the rate of injury to workers in the first six months is over twice that in workers who have been with their employers for at least a year, whether all workplace injury or reportable injury.

<sup>92</sup> LSC Learner Incident Management System (LIMS) Report—“Incidents by length of time on programme” 1 April 2005–31 March 2006.

<sup>93</sup> “Workplace Injuries and Workforce Trends” Report by the Institute of Employment Research (IER), July 1999.

- (iii) The relatively high risk for new workers remains after allowing for occupations and hours of work. Other factors cannot explain the higher risk in workers new to their employers.

A review of literature in 1972<sup>94</sup> provides some support in a conclusion about studies on “length of service” which “are all compatible with the idea that there is an initial learning effect of some sort which lasts a certain time after which the accident rate evens out”.

**Table 2**

**Rate of All workplace injury by Job Tenure with Employer (1)**

<i>Job Tenure</i>	<i>Rate of All Workplace injury per 100 workers per 12 months</i>
Less than six months	11.4
Six to 11 months	5.6
12 months to less five years	4.2
Five years or more	3.5

(1) Rate of injury from the report by IER, July 1999.

8 January 2007

**Memorandum by the Institute for Public Policy Research (ippr)**

1. ippr’s analysis in *Freedom’s Orphans: Raising youth in a changing world* suggests that youth policy has too often been focused on the theoretical availability of labour market opportunities, at the expense of what really matters in enabling young people to actually *take up* such opportunities. In reality, it is young people’s personal and social skills (non-cognitions)—for example their agency, capacity to plan for the future, moral maturity and self-control—that are more crucial determinants of their life chances across most domains than policy has recognised so far.
2. Four kinds of factors determine youth outcomes: “harder” measures such as cognitive ability, qualifications and technical skills; “softer” measures such as personal preferences, personal and social skills and personality traits (otherwise known as “non-cognitions”); luck; and the external socio-economic context young people grow up in. Government has traditionally focused on the first and last of these, at the expense of “softer” measures—although there have been recent moves to address the social and emotional development of young people through piloting cognitive behavioural therapy techniques in schools (affecting luck is clearly out of scope for government).
3. Detailed regression analysis of cohort data provides some insight into which factors matter most. The British Cohort Study tracks a group of children born between 4 and 11 April 1970, collating detail on their family and economic background and their subsequent experiences. Because these cohort members are now in their thirties, this data allows researchers to track the impact of childhood and adolescent experiences on later life outcomes: we can therefore see what made a difference.
4. Recent research by Jo Blanden, Paul Gregg and Lindsey Macmillan has investigated the relative importance of qualifications, cognitions and non-cognitions on earnings in later life, and the interplay between these factors (Blanden *et al* 2006). This research provides compelling evidence that personal and social skills were particularly important in determining life chances for this cohort.
5. Figure 3.1 shows the association between various cognitive attributes measured early in life—such as reading ability at age 10—and various non-cognitive attributes—such as application, internal locus of control<sup>95</sup> and self-esteem—on earnings at age 30 for the 1970 cohort. It shows that better<sup>96</sup> maths ability at age 10 was associated with 8.2 per cent higher earnings at age 30, better application aged 10 was associated with 8.9 per cent higher earnings and a more internal locus of control was associated with 6 per cent higher

<sup>94</sup> “A Review of the Industrial Accident Research Literature” by the National Institute of Industrial Psychology, 1972, for the Committee on Safety and Health at Work.

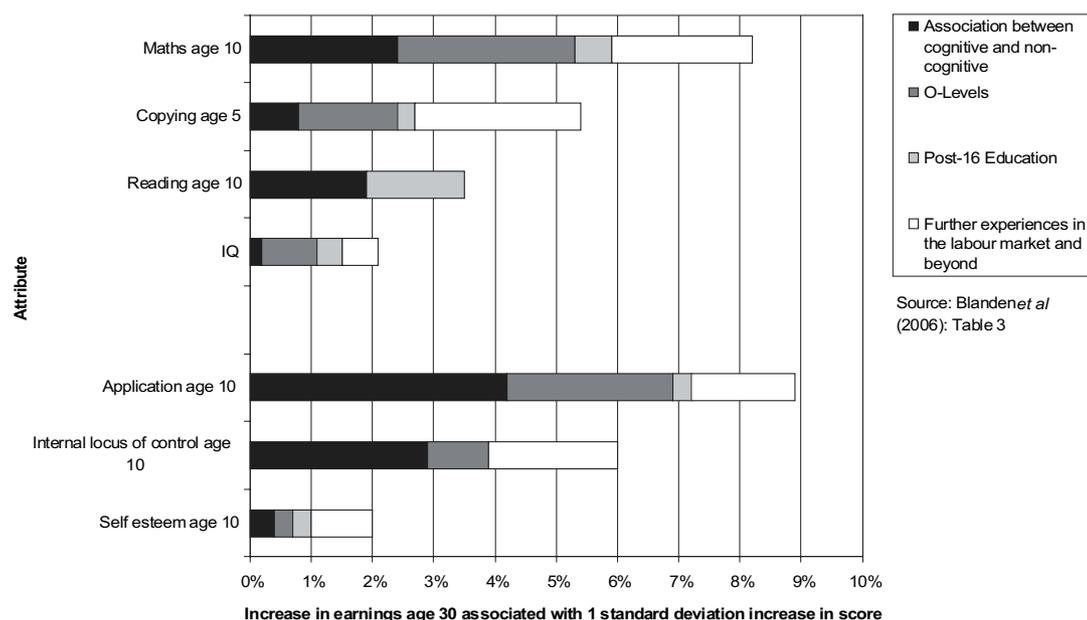
<sup>95</sup> Application broadly captures young people’s dedication and concentration (Blanden 2006). Locus of control captures young people’s agency—the degree to which they perceive events as within their control. People with a very “internal” locus of control tend to see events as *within* their control: they have a strong sense of personal agency; whereas people with an “external” locus of control tend to see events as *beyond* their control and determined predominantly by external forces (Rotter 1954, 1966).

<sup>96</sup> “Better” is defined here as an individual’s score in a given domain increasing by one standard deviation in the overall distribution. This increase is roughly equivalent to moving from fiftieth place to sixteenth place out of 100.

earnings. Another way of putting this is that better application may add approximately £68,500 to lifetime earnings and a more internal locus of control may add approximately £46,200 on average (in 2006 prices).<sup>97</sup>

**Figure 3.1**

**Chart 3.1: Impact on earnings age 30, 1970 cohort**



6. The figure also allows us to unpick the “stages” through which these attributes impacted on earnings. The first of these is the interaction between developing cognitive and non-cognitive attributes, shown by the black sections within each bar. This happens in two ways: better cognitive attributes help people develop better non-cognitive attributes (and *vice versa*) and they also allow people to make more of their non-cognitive attributes. This interaction accounts for a substantial proportion of the benefit of both cognitive and non-cognitive attributes. So for example, slightly under a third of the impact of maths on earnings in later life is through its interaction with non-cognitive attributes.

7. The second stage is in terms of the impact on O-level attainment, shown by the dark grey sections within each bar. Just over a third of the impact of maths on earnings aged 30 occurs at this stage. The third stage accounts for the impact on post-16 attainment, shown by the light grey sections. Importantly, a greater proportion of the impact on earnings is accounted for in these two stages for cognitions than non-cognitions; it seems that non-cognitive attributes are most important in the labour market beyond education and subsequent experiences in life, and in helping people make the most of their cognitive abilities.

8. In many respects, these results confirm a substantial body of existing research. A well established literature on the wage returns to education convincingly shows that education levels make an enormous difference to future earnings (Blundell *et al* 2001; Walker and Zhu 2001; Sianesi 2003; Heckman *et al* 2006): on average in the UK each additional year of education adds around 7 per cent in earnings for men and 8 per cent for women. Although there are considerable differences between subjects and types of qualification, the broad picture is that GCSEs add around 10 per cent to wages compared to someone with no qualifications, A-levels add a further 15 per cent for women and 20 per cent for men, while a degree adds a further 25 per cent for women and 15 per cent for men (Walker and Zhu 2001). By contrast, returns to lower-level vocational qualifications are lower and vary. Some, such as Ordinary National Certificates (ONCs) and Higher National Certificates (HNCs), have significant positive returns. Others, such as NVQ Level 2, have little or no return, unless they are delivered in the workplace (for example). But the results in Figure 3.1 also cut against much received wisdom.

9. Figure 3.1 clearly shows that non-cognitive abilities are about as important as cognitive abilities in determining earnings in later life (Blanden *et al* 2006). Importantly, these non-cognitive attributes may be particularly significant in explaining why some young people “buck the trend”—starting out from impoverished families and ending up well-off by age 30. Research shows that poor children who have high

<sup>97</sup> Based on an estimated lifetime earnings of £770,000, calculated by uprating 2,000 estimates for inflation (Hansard 2003; HM Treasury 2006).

levels of application are 14 per cent more likely to be well-off by age 30, compared to the average poor child. The evidence suggests that application is in fact more important for these children than for their more affluent peers: for children who came from affluent backgrounds, having a high application score only makes affluence in later life four per cent more likely (Blanden 2006).

10. The evidence is mounting fast (see Jackson (2006), Groves (2005), Dunifon and Duncan (1998), Farkas (2003) and Bowles and Gintis (2001) for good overviews). For example, recent US analysis of the *National Longitudinal Survey of Young Women* clearly shows that locus of control, aggression, and withdrawal are important determinants of wages for white women (Groves 2005). And a recent study of 5,000 young people in Britain and Germany found that unemployed young people tend to see education and qualifications as more important in influencing life chances, but were less likely than other groups to stress the importance of agency—measured in terms of interest, long-term goals, choice and planning—and were much more likely to attribute success or failure to chance, suggesting an external locus of control (Evans 2002). In contrast, young people with jobs tended to attribute their success to their own plans and efforts.

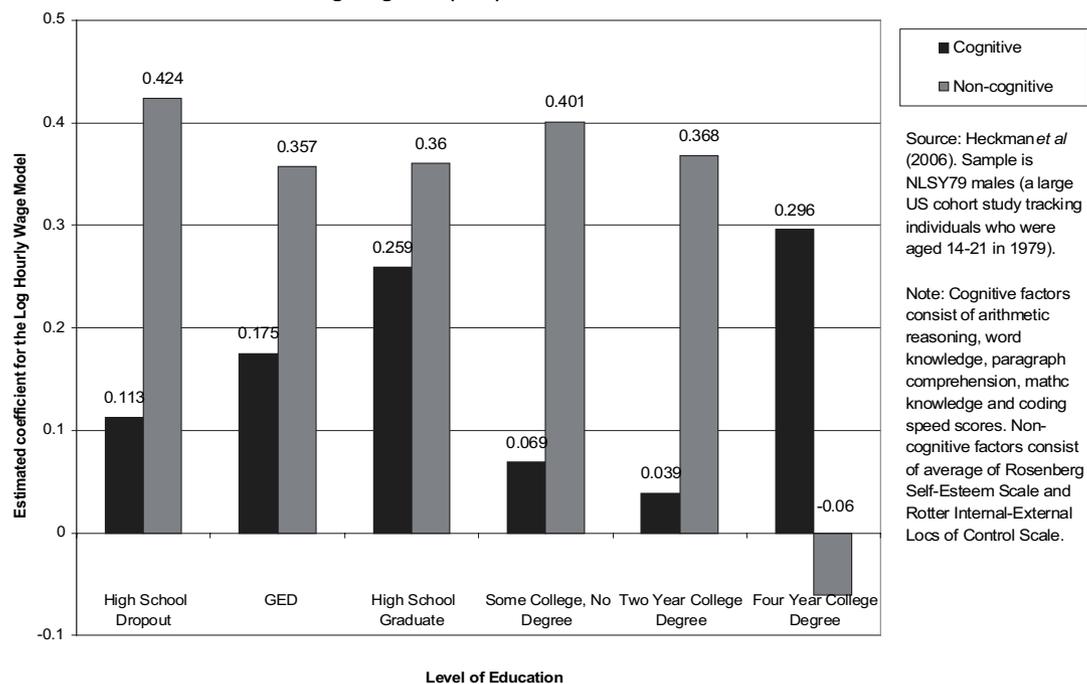
11. Other recent work in the US, looking at the academic performance of young people in school, finds that self-discipline is more than twice as important as IQ in predicting final grades in high school, high school selection, school attendance, hours spent doing homework, hours spent watching television and the time of day that students began their homework (Duckworth and Seligman 2005). Importantly, self-discipline also predicted which students would improve their test scores over the course of a school year, in contrast to IQ, which had little predictive power in this area.

12. This has profound implications for our understanding of existing research about the importance of formal qualifications for life chances: we may have simply miscalculated how important these are in determining outcomes by overlooking the way they act as a “flag” for softer skills. Where research has not controlled for the impact of softer skills and agency, estimates of the impact of formal qualifications are likely to have been boosted by the hidden effect of softer skills (Jackson 2006, forthcoming), as those with good soft skills are more likely to go on to gain good formal qualifications.

13. The debate in the US has been more advanced for some time and there is growing academic consensus that non-cognitions matter (Dunifon and Duncan 1998; Heckman 2000; Heckman and Rubenstein 2001; Farkas 2003; Heckman *et al* 2006): research published earlier this year has now quantified the difference in earnings that hard and soft skills can afford for different groups (Heckman *et al* 2006), as shown by Figure 3.2.

**Figure 3.2**

**Chart 3.X: The relative importance of cognitive and non-cognitive factors in determining wages aged 30 (men)**



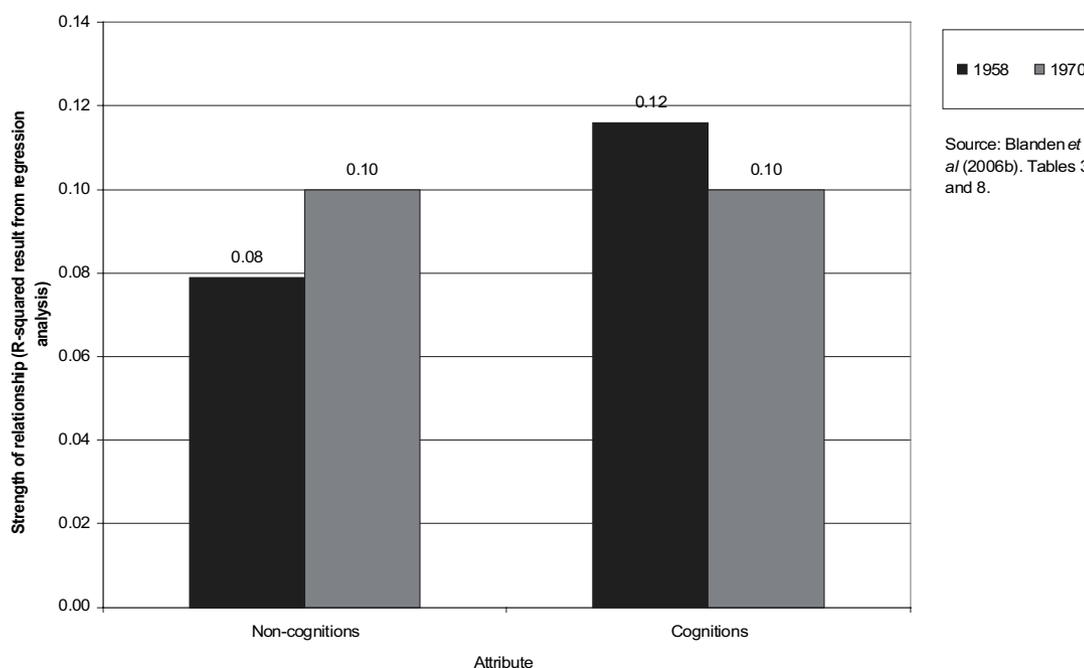
14. The figure clearly shows that non-cognitive abilities are crucial in determining men's incomes. The coefficient numbers show what percentage increase in hourly earnings could be expected by an increase of one standard deviation in an individual's score on the cognitive or non-cognitive measure. So a secondary school dropout could expect a 42.4 per cent increase in hourly wages if they were one standard deviation higher placed in the overall distribution of non-cognitive skills.

15. For low-skilled men, non-cognitions are four times as important as cognitive abilities. As education level rises, non-cognitive abilities become a less strong determinant of wages. (For women, non-cognitive abilities remain more important than cognitive abilities at all education levels beyond secondary school dropout.)

16. Comparing the 1958 and 1970 cohorts allows us to see whether the relative importance of personal and social skills and personality attributes has become more important. The evidence suggests that they have, as shown in Figure 3.4: for the 1958 cohort, the strength of the association between non-cognitions and higher earnings was 0.08,<sup>98</sup> whereas for the 1970 cohort it was 0.10. At the same time, the strength of the association between cognitions and earnings fell from 0.12 to 0.10.

**Figure 3.4**

**Chart 3.4: Strength of association between cognitions, non-cognitions and earnings aged 30, 1958 and 1970 cohorts**



Another way of putting this is that non-cognitions became 25 per cent more important in determining earnings later in life between the 1958 and 1970 cohort, while cognitions became 20 per cent less important. Some key social and economic changes explain why this is so.

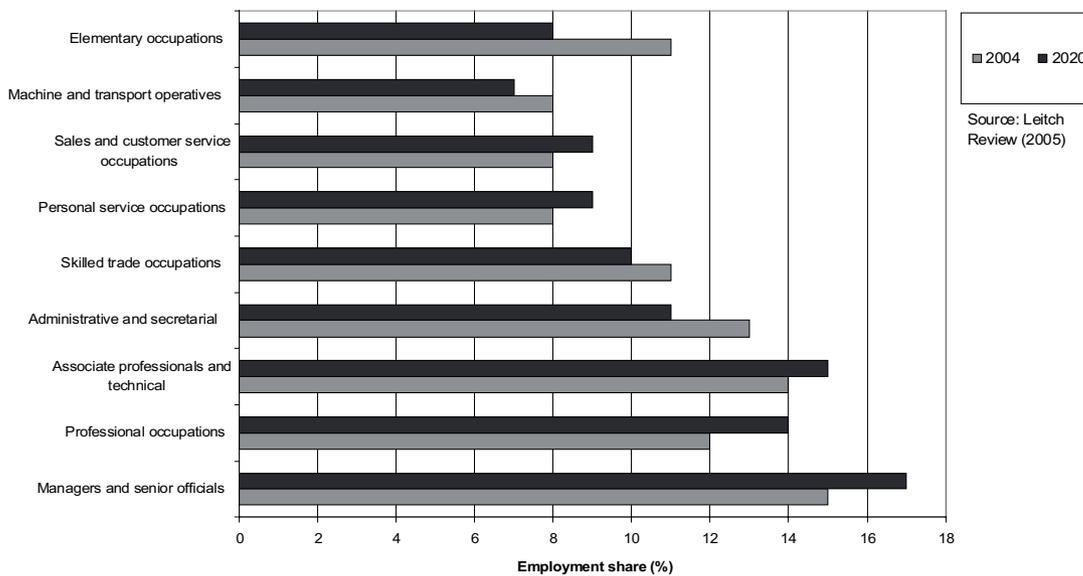
17. There have been four major economic and social changes. The first is the changing structure of individual firms and the labour market as a whole—largely in its shift towards a service economy and a polarisation of jobs—which has increased the financial returns to softer skills for both employers and employees. This is relatively well charted and understood.

18. In 1982, 33.6 per cent of total UK employment was in the manufacturing, construction and utilities sectors and 65.4 per cent was in the service sector. Two decades later, in 2002, manufacturing employment had declined by 35 per cent and service employment had grown by 20 per cent (Wilson *et al* 2006). This is a shift that is ongoing and expected to continue over the next decade at least: by 2014 service sector employment is projected to be 82.1 per cent of all employment, with manufacturing, construction and utilities having declined to just 17.9 per cent (Wilson *et al* 2006). Looking in more detail at projected employment growth in the future shows this clearly (Leitch Review 2005), as shown in Figure 4.3. The jobs projected to show the fastest growth, such as professional and managerial occupations, are predominantly service-sector-based.

<sup>98</sup> On an r-squared measure.

Figure 4.3

Chart 4.3: Changing employment structure, 2004-2020



19. One reason for this is that some service occupations simply require more human interaction than manufacturing ones; research consistently shows that skills do not transfer easily from many jobs within manufacturing to services (Iverson 2001). As the structure of professions has changed, so too has the skill requirement in favour of softer skills in some occupations (Jackson 2002; Jackson forthcoming). Even relatively highly technically skilled manufacturing workers often find it difficult to find acceptable employment in the service sectors (Hay 2004). In the North East of England, for example, rapid deindustrialisation has led to a considerable rise in inactivity and incapacity rates for older men and a corresponding rise in (largely female) public and service sector employment (Gibbons *et al* 2006). But similar effects can also be seen nationally.

20. A recent survey of nearly 75,000 companies revealed that employers are most concerned about gaps in “soft skill areas, in particular team working and customer handling skills” (LSC 2006: 12). Nearly 40 per cent of British employers reported shortages in customer-handling skills and around 35 per cent reported shortages in oral communication and team-working skills.

21. The second change underpinning this is that routes through life in education, employment and many other areas have become more open and preference based: the often oppressive but structured pathways that young people were expected to take have largely dissolved, with the result that most young people have more say over their lives than ever before. The typology of transitions has become more variegated as young people’s experiences have become more diverse. This has resulted in young people’s decision-making capacity becoming a more important determinant of their capabilities: as making the right choice from an ever wider field of options has become more important, so has the actual capacity to do so.

22. The third change has been a shift in public policy that has emphasised choice, voice, personalisation and co-production in public services—partly in response to shifts in the private sector, which has increasingly concentrated on tailored, individual and customised services and delivery.

23. The fourth change has been a widening inequality in income, employment, the quality of jobs, wealth and civic participation. The last few decades—at least until very recently—have seen an unremitting widening of the gap between the best- and worst-off. This societal polarisation has exacerbated and amplified the divisions between those who succeed and those who do not—resulting in a larger gap between those who make successful transitions and those who do not.

### Memorandum by the National Youth Agency

The National Youth Agency (NYA) supports those involved in young people's personal and social development and works to enable all young people to fulfil their potential within a just society.

The NYA achieves this by:

- supporting those working with young people in a variety of settings;
- influencing and shaping youth policy and improving youth services;
- promoting young people's participation, influence and place in society;
- improving and extending youth services and youth work;
- enhancing and demonstrating youth participation in society; and
- promoting effective youth policy and provision.

The NYA provide resources to improve work with young people and its management; create and demonstrate innovation in services and methods; support the leadership of organisations to manage change; influence public perception and policy; and secure standards of education and training for youth work.

The NYA welcomes this inquiry into education and training opportunities for young adults with low skill levels, and supports the drive to stimulate growth in this area.

#### BACKGROUND

It is widely agreed that unemployment and underemployment are areas of concern in relation to young people and young adults. Whilst there have been claims that long term unemployment amongst this age group has been eradicated by the New Deal for Young People (NDYP), there is also a recognition that though youth unemployment may have fallen, figures from the Office of National Statistics (ONS) show that the number of young adults not in education, employment or training has risen by 15 per cent in the last decade (*Times*, 11 December 2006). In conjunction, NDYP is now less effective than it once was, with only 34 per cent of young adults moving through the programme securing employment. Indeed, the Youth Review Inquiry (2006) notes

Unemployment rates are generally increasing for young people, despite the implementation of new government programmes and national minimum wage rises. Therefore, employment is still a key issue for many young people, especially those from disadvantaged backgrounds.

As the Youth Review Inquiry states, unemployment is a particular concern for certain groups of young adults. Young adults leaving school with few or no qualifications experience the greatest difficulties in moving into employment. These issues are compounded for young adults with literacy, language and numeracy needs.

Evidence from research (see, for example, the Joseph Rowntree Foundation, 2004) suggests that the problem is less about *finding* work, and more about *keeping* it.

- Young adults with low levels of education and training tend to find employment in casual and low-pay sectors, where positions are precarious and insecure.
- There are few training opportunities afforded to young adults in casual and insecure sectors of the labour markets, and young adults risk becoming trapped.
- Similarly, those with little or no experience and/or qualifications are more vulnerable to age discrimination, with employers knowing it is easy to replace staff (DWP, 2001).

The establishment of secure employment is dependent upon a number of factors, some of which are particularly key: family and other informal support networks, initial school-based qualifications, effective inter- and intra-personal skills, and access to high-quality training opportunities. These protective factors are also recognised within *Every Child Matters*. For young adults on the margins of training, education and employment, it is often the case that they are unable to draw on any of the above resources, and lack the social and cultural capital required (Jones, 2006). Young adults making the transition to adulthood and independent living are particularly vulnerable to social exclusion, and rely on support networks to help them make successful transitions.

#### YOUNG ADULTS' EXPERIENCES OF TRAINING

Research has demonstrated the efficacy of training for young adults, to a degree: for example, being trained as an apprentice is more efficient in supporting young adults to find work than being trained at school only

(New Perspectives for Learning, 2000). Modern Apprenticeships have come to be particularly valued by employers for the training in intermediate skills they provide. The numbers of young adults starting Apprenticeships have exceeded the targets from 1997 to 2004, although recent reports show that many programmes have a drop-out rate exceeding 50 per cent. Research over a number of years (see, for example, LSDA, 2003) has consistently highlighted the same issues associated with young adults not completing training programmes:

- Inadequate information, advice and guidance procedures to support young adults in making the right choice of training programme.
- Lack of employer involvement in making the programme responsive to labour market needs.
- Difficulties with the literacy and numeracy elements of the training programme.
- Poor pastoral support for young adults experiencing difficulties on their training programme.
- Young adults perceiving the training programme to have little value or legitimacy in assisting them in moving into employment.

And although such initiatives may have made some impact, they have not been able to dent the stubborn figure of 10 per cent of young adults aged 16 and 17 who are disengaged. This has remained at about the same level since 1997 and the UK continues to have one of the lowest levels of participation in post-16 education in Europe. Where training is found for young adults with few or no qualifications, it tends to be on inferior programmes. It is common for such training programmes to lead to short term employment, but young adults rarely gain skills that help them move into secure sectors of the labour market—research suggests that government-sponsored training programmes, for example, rarely provide disadvantaged young adults with the sort of skills that would facilitate secure entry into the more desirable sectors of the labour market (JRF, 2004). This is compounded by the fact that young adults with literacy and numeracy needs may reject training that involves (or is perceived to involve) further “study” since they are so alienated by their previous educational experiences. It is the experience of The NYA, reflecting wider research, that many young adults with literacy and numeracy needs find the achievement of vocational qualifications challenging, or even impossible, contributing to their perception of themselves as “failures”, and positioning them even further away from the labour market, as the JRF note:

Training schemes appeared not to offer compensation. Places offering quality training were filled competitively, with inferior placements offered to the less well qualified. For many, the links between these lower-tier training schemes and employment was poor. Many subsequently entered occupations that were totally unrelated to their ‘training’ and, even when they gained vocational qualifications and attempted to secure relevant training, they found it difficult to compete with those who had trained in other settings (JRF, 2004)

Similarly, the New Perspectives for Learning Briefing Paper 42, *The Role of Education in Labour Market Changes* (1999) notes, “the effectiveness of most youth training/employment schemes for the least qualified is in question, as employers still appear to favour those with better qualifications”. Research also highlights that whilst young adults outside education, training and employment face increased risk of a range of exclusionary experiences, there are particular risks for some more vulnerable young adults, for example Black-Caribbean, Pakistani and Bangladeshi young adults, young adults who have had contact with the criminal justice system and young adults who are disabled (see, for example, Burchardt, 2005 and Merton, 2005).

However, we are aware that, contrary to stereotype, young adults are not always lacking motivation or incentive. Young adults are keen to move into the labour market, and see this as a critical part of being “adult”, making a successful transition from childhood to adulthood and becoming independent. It is important to note that research has found no overall significance in the job performance of older and younger workers (New Perspectives for Learning, 2000). However, the pressure from unemployment, and poor information, advice and guidance, can lead to the acceptance of places on training courses that are clearly not wanted—the JRF (2004) note that the issue of interest is critical: many young adults are involved in youth training in areas in which they have little interest, and their research shows that these young adults are likely to go on to experience precarious positions in the labour market and on-going low skill positions. Indeed, the ESRC Routes research (2002), supporting evidence emerging from The NYA, found that the young adults taking part in their study

were involved in an average of four different “activities” over the course of the research, often repeating unemployment and youth training. The report notes that it is “difficult to avoid the image of a slow tide of marginalised young people ebbing and flowing between unsuitable work, inappropriate training courses and unemployment”. They comment that, against this background, the optimism of the young adults involved in their study was “striking”.

For young adults, the key issue is the “value” of the training they are involved in. Young adults are anxious to gain qualifications which have currency—both in the eyes of employers, and in supporting their perception of themselves as “adults”. Young adults are becoming increasingly aware of issues of value, currency and quality, and are now more selective in relation to training opportunities they are willing to engage with. However, young adults are also becoming more aware of the range of financial incentives offered for attendance at and participation in training programmes. Young adults experiencing financial hardship, often making a contribution to their parents’ income or supporting their own family, are likely to make choices based on the training allowance offered, even where this option is not the best route in their circumstances, or the training programme concerned may not support them into longer term secure employment. Whilst the introduction of financial incentives, and the extension of eligibility to a wider range of young adults, may have some positive effect in increasing the numbers of young adults enrolled in training programmes, many of these young adults will move from “activity” to “activity”, participating yet not progressing.

Research has consistently pointed to the importance of inter- and intra-personal skills in finding and sustaining employment: among young adults who find it hard to secure long-term employment, problems such as not using their initiative and failing to establish good relationships with their co-workers and managers are cited (New Perspectives for Learning, 2000). Similarly, the ESRC Routes study (2002) found that:

One of the difficulties faced by a number of disaffected young people in our study is their lack of social skills. When confronted by the demands of a training programme, travelling to another part of the city, meeting new people from different backgrounds, encountering a new work ethic and culture of discipline and responsibility, the cracks begin to show . . . [they] have simply not been prepared for the reality of the work placements found for them.

Our research has highlighted that the most effective approaches to education and training with young adults are those that provide a holistic package of personal and social development, alongside the development of vocational or literacy, language and numeracy skills, for example. Research from The NYA (Jessiman *et al*, 2005) has demonstrated the potential of non-formal Awards<sup>99</sup> to engage with the “hardest to reach” young adults, and to impact positively on their personal and social development. Offered as part of Entry to Employment programmes, providers reported that non-formal Awards contributed strongly to the development of young adults’ skills in group working, conflict management, problem solving, decision making, and responsibility, amongst a range of other skills. Furthermore, young adults participating in non-formal Awards as part of their E2E programme were significantly more likely to progress into employment. A recent paper from the Centre for the Economics of Education, London School of Economics (Blanden *et al*, 2006) supports the focus on personal and social development in facilitating young adults’ transitions, in demonstrating the importance of non-cognitive skills in determining educational outcomes and later earnings. The paper notes that better non-cognitive skills not only lead to increased participation in education, but also have an earnings return over and above this. Increasingly, young adults are relying on these non-cognitive skills to navigate their paths through an insecure labour market, where life time “careers” are less and less the norm. Recent research from ippr (Margo *et al*, 2006), following young adults born in 1958 and 1970 found that personal and social skills became 33 times more important in determining relative life chances.

An increasing number of young adults are leaving compulsory education with little experience of employment and the workplace, whilst the demands on them to be “job ready” and equipped with the inter- and intra-personal skills to succeed at work are becoming ever greater. Previously, an apprenticeship not only enabled young adults to develop vital vocational skills, but also supported them in becoming familiar with the “world of work”. As such, an apprenticeship was an effective blend of work-based/work-place training, and mentoring from a more experienced professional. At present, there is a far stronger expectation that young adults are “employable” at an earlier stage, but increasingly, young adults have less access to support such as mentoring to enable them to develop this knowledge.

<sup>99</sup> Non-formal education Award schemes are national Awards that accredit young adults’ achievements in learning in non-formal settings.

The experiences of young adults on the margins of education, training and employment no doubt correspond to the experiences of others in similar positions. However, young adults are particularly disadvantaged by widely-held perceptions about their attitudes, beliefs and abilities. Anecdotal evidence emerging from ongoing research through the Progress GB Equal Development Partnership led by NIACE suggests that employers, particularly those managing small and medium size businesses, perceive positive benefits to employing migrant workers over UK young adults. Employers cite issues of job readiness—that UK young adults are ill prepared for work (for example, do not arrive on time or in the correct clothing) and have poor interpersonal skills. These beliefs are widespread, and often lead to many employers being reluctant to take on young adults, and to provide them with the in-work training they need to develop their skills and their experience of the workplace.

#### RECOMMENDATIONS

- The NYA believes that education and training for young adults should have at its heart, a strong focus on supporting the development of vital areas such as confidence, communication skills, negotiation, team working and initiative.
- Further, The NYA believes that young adults are more likely to effectively build their vocational skills and literacy, language and numeracy where they are supported in wider personal and social development. Young adults who are confident in their own learning, and in their interaction with peers, co-workers and managers, are better equipped to approach, and succeed, in their training and education. Young adults need continuous support through a trusted adult—a mentor, key worker or personal adviser to work alongside them, providing for each individual the guidance, encouragement, support, signposting and advocacy that helps build bridges into mainstream education, training and employment.
- The NYA has extensive evidence from research and development work, and through its management, in partnership with NIACE, of the *Getting Connected* curriculum framework, which demonstrates the importance of a holistic approach with young adults, supported by effective information, advice and guidance in support them in making choices.
- Young adults do not make decisions about their futures in a vacuum—it is important to consider individual experiences, aims and ambitions, and in particular, the role that relationships with supportive adults (including tutors, trainers and advisors) may play.
- In order to overcome negative perceptions of young adults in training and employment, The NYA would recommend that employers are more closely involved in the organisation of training. This in turn will contribute to young adults' perception of training as valuable and “having currency”, and will ensure that training programmes are more responsive to employers' needs.
- The community-based and non-formal learning sector is an important player in this policy area but is often not recognised as such and tends consequently to be under-valued. Its connectedness to the communities and lives of these young adults should not be under-estimated; it is through this everyday involvement that important contacts and networks are created, and the life circumstances of young adults and their families are understood. The practice contributes significantly to the creation of social capital that builds capacity in communities and social cohesion, as much as the building of human capital that creates capability in individuals.

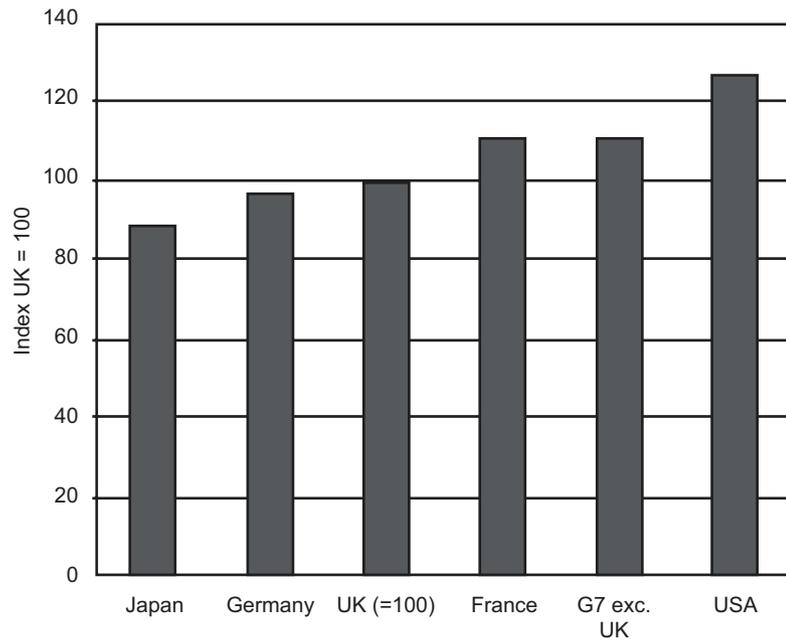
The NYA would be pleased to provide the Committee with further information about anything covered in this note. In the first instance please contact XXXX.

*December 2006*

#### **Memorandum by Sector Skill Development Agency**

*Figures show that the UK is still not as productive as its competitors. We must ensure that our young people have the skills needed by employers. It is possible to predict which sectors of our economy will need more workers, which should have an effect on training provision.*

Whilst latest figures from the Office of National Statistics suggest that the UK's productivity is improving, there are few signs that the UK is significantly closing the gap with its competitors. On GDP per hour worked, the UK still lags 16 per cent behind the US and 29 per cent behind France. With UK productivity growth recorded at just under 1 per cent, it is still exceeded by the US (1.9 per cent per annum in 2005) and France (1.5 per cent per annum) and in particular by newly emerging economies especially in Eastern and Central Europe (eg Poland 7.7 per cent, Turkey 3.7 per cent, India 4.4 per cent, and China 8.4 per cent all per annum).

**Figure 1: GDP per hour worked as percentage of UK**

Source: ONS 2006.

Our skills are not world class. More than one-third of adults do not have the equivalent of a basic school-leaving qualification. Almost one half of adults (17 million) have difficulty with numbers and one seventh (five million) are not functionally literate. This is worse than our principal competitors. Our intermediate and technical skills lag countries such as Germany and France. We have neither the quantity nor the quality of necessary vocational skills (Leitch Report 2006). The link between our poor productivity and our weak skill base is straight forward and mentioned explicitly in the Leitch interim report. Better skilled individuals are more productive at work (see Tamkin *et al* 2004).

Despite this, the UK currently has a strong economy, but this recent prosperity is largely derived from high levels of employment. With economic growth being a function of both productivity growth and employment growth, there is an obvious need to address the UK's poor record in relation to productivity. Long term sustainable growth requires improvements in productivity so that UK performance can reach and then exceed that of our international competitors.

Given that our economic performance is based on high levels of employment, and not high rates of productivity, the so-called "demographic time-bomb" is particularly important to the UK. With plunging birth rates and an ageing population, there is a very real threat to UK prosperity unless the productivity problem is addressed. As the European Commission's Green Paper on Demographic Change (available at [http://ec.europa.eu/employment\\_social/news/2005/mar/comm2005-94\\_en.pdf](http://ec.europa.eu/employment_social/news/2005/mar/comm2005-94_en.pdf)) points out, modern Europe has never experienced economic growth without rising birth rates. Consequently, the important role that young people can and must play if the UK is to improve its global position is obvious. With fewer young people entering the job market, it is important that those who do so, are equipped with the relevant skills.

Another issue linked to the economic future of the UK is migration. Whilst much has been said in the press regarding the in-flow of labour to the UK, we can find no economic grounds for apathy. Instead, we argue that migration can have a positive effect in that it helps to mitigate against skill shortages and fill jobs that are not filled domestically. We agree with Lord Leitch and others who have identified that "there is no evidence to suggest that migration impacts on the employment, economic activity, unemployment or wages of the resident population" (see The impact of immigration on the UK labour market, Dustmann, Fabbri and Preston, 2005). The increased flow of immigration from the EU accession countries has had little or no impact on the wages or claimant unemployment of any group of domestic workers (see also The impact of free movement of workers from Central and Eastern Europe on the UK labour market, DWP, 2006).

However we manage immigration, the challenges facing the UK in the future are unlikely to be alleviated by this one measure. We must look at training the domestic workforce to the level required. The SSSA has commissioned the IER to develop the Working Futures series of ten year forecasts to provide an analytical framework to systematically review and model employment trends and skills drivers, and provide a basis for understanding future sectoral and regional skill needs.

In summary, Working Futures shows that on current evidence from 2004 to 2014:

- Total employment is forecast to grow by just under 0.5 per cent per annum providing almost 1.3 million extra jobs.
- Changes in the industrial structure of employment to a more service-oriented economy will favour white collar, non-managerial occupations and the continued loss of jobs in manufacturing and primary industries will result in further job losses for many traditional manual and blue collar workers.
- Employers will require high numbers of managerial, professional, associate professional, technical and personal service and customer service occupations.
- Net job losses are projected amongst administrative, clerical and secretarial workers, skilled trades, process and machine operatives and un-skilled elementary workers such as cleaners, shelf fillers, waiting and bar staff.

This means that there will be greater demand for some of the higher and more intermediate skilled occupations, especially in the service sector, and less demand for some of the lower skilled elementary jobs. In the future, this will place further pressure on the related current skills needs, especially in vocational and technical skills, and management and leadership as well as basic and generic skills (such as communication and customer services). If consideration is also taken of replacement demand, which refers to the number of workers needed to replace those who have retired, moved on and others, total requirements are even more considerable. In the coming years, aggregating all occupations, replacement demand is ten times as large as projected employment growth. Working Futures should have important implications for training as it clearly shows where employment is expected to grow.

**Table 1**

EMPLOYMENT 1984—2014

<i>United Kingdom: All Industry Sectors</i>					
<i>Employment Levels (000s)</i>	<i>1984</i>	<i>1994</i>	<i>2004</i>	<i>2009</i>	<i>2014</i>
1. Managers and senior officials	3,096	3,629	4,609	4,906	5,227
2. Professional occupations	2,165	2,674	3,539	3,876	4,236
3. Associate professional and technical occupations	2,593	3,218	4,302	4,521	4,758
4. Administrative, clerical and secretarial occupations	3,843	3,955	3,790	3,627	3,463
5. Skilled trades occupations	4,211	3,642	3,433	3,355	3,283
6. Personal service occupations	1,054	1,509	2,244	2,449	2,668
7. Sales and customer service occupations	1,565	1,872	2,412	2,594	2,788
8. Machine and transport operatives	3,018	2,596	2,367	2,307	2,249
9. Elementary occupations	4,131	3,680	3,403	3,070	2,728
<b>Total</b>	<b>25,676</b>	<b>26,775</b>	<b>30,099</b>	<b>30,705</b>	<b>31,399</b>
<i>Percentage Shares</i>	<i>1984</i>	<i>1994</i>	<i>2004</i>	<i>2009</i>	<i>2014</i>
1. Managers and senior officials	12.1	13.6	15.3	16.0	16.6
2. Professional occupations	8.4	10.0	11.8	12.6	13.5
3. Associate professional and technical occupations	10.1	12.0	14.3	14.7	15.2
4. Administrative, clerical and secretarial occupations	15.0	14.8	12.6	11.8	11.0
5. Skilled trades occupations	16.4	13.6	11.4	10.9	10.5
6. Personal service occupations	4.1	5.6	7.5	8.0	8.5
7. Sales and customer service occupations	6.1	7.0	8.0	8.4	8.9
8. Machine and transport operatives	11.8	9.7	7.9	7.5	7.2
9. Elementary occupations	16.1	13.7	11.3	10.0	8.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<i>Net Changes (000s)</i>	<i>1984–1994</i>	<i>1994–2004</i>	<i>2004–09</i>	<i>2009–14</i>	<i>2004–14</i>
1. Managers and senior officials	533	981	297	321	617
2. Professional occupations	509	865	337	360	697
3. Associate professional and technical occupations	627	625	1,083	219	238
4. Administrative, clerical and secretarial occupations	115	112	–165	–162	–164
5. Skilled trades occupations	–569	–210	–78	–72	–150
6. Personal service occupations	455	735	205	219	424
7. Sales and customer service occupations	307	540	181	194	375
8. Machine and transport operatives	–421	–229	–60	–58	–118
9. Elementary occupations	–451	–277	–333	–342	–675
<b>Total</b>	<b>1,099</b>	<b>3,324</b>	<b>605</b>	<b>695</b>	<b>1,300</b>

*Source:* CE/IER estimates, MDM01R1 C51F8A Forecast, AllUK.xls, (Table 4.1T).

Research sponsored by the SSDA (see Jagger 2005) suggests that different skills profiles have varying impacts on productivity in different sectors and revealed complex and varying sector specific patterns. For example in the food, drink and tobacco sector, the amount of training activity provided to employees and the proportion of managers employed emerge as important factors for achieving higher levels of productivity. In the construction sector, the proportion of professionals employed appears to make the most significant contribution to productivity levels, and at the same time intermediate-level skills are also important. The research concludes that different skills have varying impacts in different sectors and hence there is no one-size-fits-all skills solution. Whilst in some sectors securing adequate management capability is the key, for others getting the right intermediate of high-level skills or more skilled people in ICT is more important. This is a key factor in the strength of the sectoral approach. By treating sectors individually, we can see a truly demand-led system, one that reacts to the needs of employers and hence furnishes UK plc with the skills we need.

SSDA evidence (see Campbell and Garret 2004) raises questions over the relevance of current education and training provision in the UK in the sense of whether it will be sufficient to fully meet the scale and nature of future demand and continued growth in the intensity of skills needs. In general questions about provision remain because of the constant emphasis on attaining qualifications rather than on continuous learning and the acquisition of skills. It is important to remember that qualifications are a proxy for underlying skills, and that attaining qualifications is not necessarily the same as acquiring skills demanded by employers operating in the market. This is an obvious weakness that must surely be addressed. In this we support Lord Leitch's message on demand-led provision. For vocational training to deliver all of the economic benefits that it can, there is an obvious need to link its content to the skills needed in the market place.

Whilst the emphasis on the academic career route and related HE expansion may not be problematic for the economy as a whole currently, subject choice is important for future demand, especially if it becomes led too strongly by learner demand and/or providers. For instance, jobs in growth areas in professional, associate professional, technical and skilled trades require specialised technical knowledge and vocational skills which are unlikely to be provided within many growing subject areas of HE. The decline in traditional apprenticeships is also believed not to have helped according to some academic commentators (eg Gospel 1997)—recent changes to the Modern Apprenticeships system may yet help here. The enhanced role of the employer is something that may have a positive effect.

There is overwhelming evidence of the link between skills, workforce and organisational performance (see Tamkin, *et al* 2004). Research shows that training benefits both the individual, but also the firm who employs the trained worker, and the nation in whom the worker is employed. Skills impact by increasing the human capital of individual workers which enhances their capability and performance and hence their ability to retain and secure employment and operate effectively at work. Consequently, it is clear that skills can enhance both the employment opportunities and wage rates of individuals. Skills also operate indirectly too by providing wider 'spillover' effects which enhance the productivity of other workers who have not been trained, or combine with other productivity drivers such as innovation and technology to produce increasing returns to scale than if each of these factors operated independently—thus higher skilled firms are more likely to innovate, apply technology and so on (see Mason, International Sectoral Productivity Variations, forthcoming).

Potentially the most important change relating to education and training in recent times has been to bring employers inside the often closed world of education and training. Employers have long complained of the seemingly supply-side driven approach to training which has resulted in a mis-match between the skills invested in the workforce and the skills needed by employers. These skills gaps and skills deficits have in the past had serious implications for the UK economy, being a barrier to enhanced UK productivity. The Government's new approach to training, one that now prioritises the needs of UK employers, promises to be

an important step in addressing the needs of the domestic economy. Evidence suggests that there is cogent reasoning behind this new approach.

A recent study commissioned by the SSDA and undertaken by the Centre for Labour Market Studies compared the skills policies of many of our competitor nations (Sung *et al* 2006). Several themes run through this study including: Incentivising skills training and raising employers' demand for skills; sectoral system effectiveness and political governance; social partners involvement; sectoral systems and economic development; performance monitoring; research capacity and the changing roles of sector bodies; and relationships with skills providers and national qualifications systems. Of course, it is unrealistic to suggest that a national system can be transferred directly to another country with the exact same outcomes (Ashton *et al.* 2000; Keep 1999), but there is much that can be learned. Within the UK there have been important steps towards integrating some of this good practice into our own system. One important move in the UK has been the adoption of the sectoral approach in the guise of the Skills for Business Network (SfBn) made up of 25 SSCs and the SSDA. Lord Leitch has recently commented that the network "is showing promising signs of employer engagement. One half of all UK establishments are aware of the Skills for Business network . . . and awareness is rising" (Leitch 2006). This change should make the provision of publically funded education and training much more responsive to the needs of employers. Where there are weaknesses with state-funded provision, we call for the sort of enhanced and robust role Lord Leitch has set out in his recent report. SSCs can be a bridge between the needs of employers and education and training, a role successfully carried out by their equivalents in other countries (see Sung *et al* 2006). They reflect the needs of the market, training providers and planning bodies must listen. Worth consideration is that our employer bodies do not control the training budgets that equivalents abroad manage. This is a potential way in which more could yet be done to put employers in the driving seat.

Given the arguments rehearsed, we agree that it is important to make changes to the ways in which training is determined and provided for young people, but we also agree with Leitch who states that this is never going to address all of the challenges facing the UK. Crucially, the Leitch report states: "Improving the skills of young people, while essential, cannot be the sole solution to achieving world class skills. Improvements in attainment of young people can only deliver a small part of what is necessary because they comprise a small proportion of the overall workforce . . . . More than 70 per cent of the 2020 working age population are already over the age of 16. As the global economy changes and working lives lengthen with population ageing, adults will increasingly need to update their skills in the workforce. There is a pressing need to raise the rates of skills improvements among adults—the UK cannot reach a world class ambition by 2020 without this" (Leitch final report, Executive Summary 30 and 31).

8 January 2007

### **Memorandum by VT Careers Management**

#### **VT EDUCATION AND SKILLS**

VT Education and Skills provides a fully integrated approach to meet the education and skills needs of young people and adults across England, Scotland and Wales. Comprising of four main delivery units: VT Careers Management (VTCM), VT Training (VTT), VT FourS and Learning21, VTES seeks to improve productivity and employment across the UK. Specifically in response to this VT Training works with the LSC to ensure that training is delivered to young people and adults in line with government priorities.

The key agenda in order to improve the employment opportunities for young people is to ensure that the right support for young people is available and that the right level of training directed to employer need is in place. We believe that the private sector can offer much to this agenda. Indeed as David Sherlock acknowledges in his evidence to the committee the completions rates for work based learning are at a 59 percent success rate illustrating what can be achieved.

#### **VT TRAINING**

VT Training is one of the largest work based learning providers in the country. Working in partnership with over 6,000 employers (including Compass, Sodexo and Marriotts Hotels), VTT provides apprenticeship programmes to over 19,000 learners. Working in the Hospitality, Retail, Engineering, Sports and Leisure and Care Sectors, we work together with employers to develop their young workforce. We have recently achieved Grade 2's in our ALI inspection.

We believe the following contributes to the success of developing opportunity for young people:

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*Engaging with young people*

VTT works closely with Connexions providers, schools, colleges and employers to promote the benefits of Apprenticeship programmes. VTT training specifically works with young people to develop skills and provide qualifications to them to follow a career in their chosen occupation. In London as part of a coVe arrangement we are working with a group of colleges to help identify alternatives for those young people who do not want to continue with college course. This presents a vital bridge between those who are not currently engaged with learning and a different type of learning experience which meets the individuals need.

*Supporting young people to become work ready*

VTT recognises that young people may need support before being placed with an employer, for example, interview skills, increasing confidence, or personal hygiene. At the same time we value the relationship we have with our employers and are keen to ensure we provide them with suitable young people. In order to address these issues, we work closely with other organisations such as Connexions or Entry to Employment (E2E) providers to help those young people who need support. In many areas we have provided short courses such as basic food hygiene or health and safety to year 10 and 11 pupils. This engages young people in the work based learning process and changes attitudes. VT Training as one of the leading work based learning providers, look to be to be an integral part of the development of vocational pathways. To this end we are using our involvement in local LSC and ELWa pilot programmes. In addition VT Careers Management supports programmes which provide extra support for young people who face barriers to engaging in learning. Project such as the Step Inside project target those 13–15 year olds who are in danger of dropping out of learning in order to support them continue on into learning. See appendix below.

*Engaging with employers*

VTT's delivery staff are all experienced within industry and have a private sector ethos. They are recruited from the sector they are delivering training and assessment in, for example, staff delivering training in the Hospitality sector are often ex Hotel or Restaurant Managers. VTT then provides the support and training for staff to become qualified assessors.

Supported by our Customer Service division, we maintain regular contact with all of our existing and new employers. This helps us to ensure that the service is being delivered to the high quality we and our clients expect. In addition, this regular contact also helps us to ensure that learners are still engaged onto the Apprenticeship programme and provides us with the opportunity to ask if there are any new young learners that are eligible for the Apprenticeship programme. We believe this proactive approach contributes to the success of our employer engagement.

VTT is proud of the number of employers we provide workforce development support to. We work closely with many national employers and SME's, recognising that each business and each sector has differing needs and priorities. We work with each employer to develop and agree a Training Plan, ensuring that our delivery is designed around the employer. Employers demand a flexible approach to training and development, where learners can be signed up at any time of the year, where learning takes place at the workplace, where delivery is high quality, where training staff have a real understanding of the sector and business and there are clear links to show how training and development is improving their bottom line. As a commercial business we recognise how important this is to our customers, and our programmes are designed around this. By helping our employers see the real benefits to taking on apprentices, we are able to maintain a long-term ongoing relationship with them.

*Working in partnership with employers*

Key to the success of our business is the partnerships we form with each employer we work with. We work closely with the employer to ensure that their needs are met through our training programmes. Examples of our partnership working include BAA Centre of Vocational Excellence, based in Heathrow. VTT has a team of assessors who are based permanently at Heathrow, co-locating with other BAA staff. VTT works with BAA and other support organisations to recruit young people on the Retail Apprenticeship scheme. Another example is the work undertaken with our national account clients such as Compass and Sodehxo in the hospitality industry.

*Working in partnership with other organisations*

Working in partnership with other organisations such as Connexions, E2E providers and other training providers on a local, regional national basis, helps us to ensure that young people are made aware of the choices on offer to them. VTT is keen to strengthen these relationships, in order to reduce duplication and confusion in the marketplace. VTT are active members of many provider network groups where best practice and collaboration is actively encouraged, for example the Managing Director chairs the Association of Learning Providers (ALPS) for large companies. We are also working closely with City and Guilds to identify opportunities to promote qualifications to both employers and young people.

**APPENDIX****STEP INSIDE OXON—PROJECT SUMMARY**

Step Inside is a project which offers additional support to 13–15 year olds in Oxfordshire who are excluded, or at risk of exclusion. Its aim is to re-engage them in structured learning and help them to work towards recognised qualifications. It builds on a similar project delivered in Bucks and Milton Keynes between September 2004 and December 2006.

Step Inside consists of an intensive two week programme of 25 hours per week with a gap of at least one full week between the delivery weeks. The optimum number of participants for a programme is between 8 and 12 young people. The programme is best delivered at a venue which is close to, but not part of, a school campus, such as a Youth Centre.

The objectives of Step Inside are to:

- provide a varied programme of activities for all participants;
- provide individual advice and guidance for all participants;
- provide activities to raise awareness of the post year 9 and year 11 options;
- provide a range alternative methods of learning and participation for participants to attract them back into learning;
- introduce participants to contacts in Connexions and other support services that they can use whilst on the programme, and beyond, to support their progression; and
- have a minimum of 45 per cent of the beneficiaries on Step Inside returning to, or continuing in, structured learning at school or in another appropriate setting with the aim of this being achieved within 3 months of the end of the programme wherever possible.

The typical range of activities on Step Inside may include:

- achievement of an accredited First Aid Certificate (for all participants);
- working towards a RSA Clait Level 1 Certificate in IT skills (for appropriate participants);
- life Skills, including financial planning, basic cooking, personal hygiene and social skills;
- multi media creative arts workshops;
- confidence building and team working skills;
- assertiveness training and anger management, where appropriate;
- taster sessions at college or with training providers;
- inputs on options post Year 9 and Year 11;
- an outdoor education day for all participants; and
- logging of all achievements into a personal portfolio whilst on the programme.

Step Inside also includes an individualised support package:

- each participant has their own Connexions Personal Adviser (PA);
- each participant has an individual interview with their PA to establish objectives and to map out activities prior to the start of the programme;
- during the “gap” week each young person discusses with their Connexions PA how the programme is going and how they are meeting the objectives set;
- a follow-up debriefing session is held within two weeks of the end of the programme for each young person to review and evaluate their personal progress; and
- ongoing mentoring support and tracking continues to the end of year 11 as a minimum.

Young people on Step Inside often suffer from multiple disadvantages, including offending behaviour, poor social skills and hostility to those they see as “officials”. They are identified and referred to Step Inside by school staff, Youth Offending Teams, or by Connexions PAs.

The staff who deliver Step Inside programme have a great deal of experience in dealing with this client group and in building up rapport with them to engender trust, understanding and mutual respect. This programme is entirely client-needs led and each young person will have their own individualised programme, thus giving them a sense of ownership over the process and providing motivation.

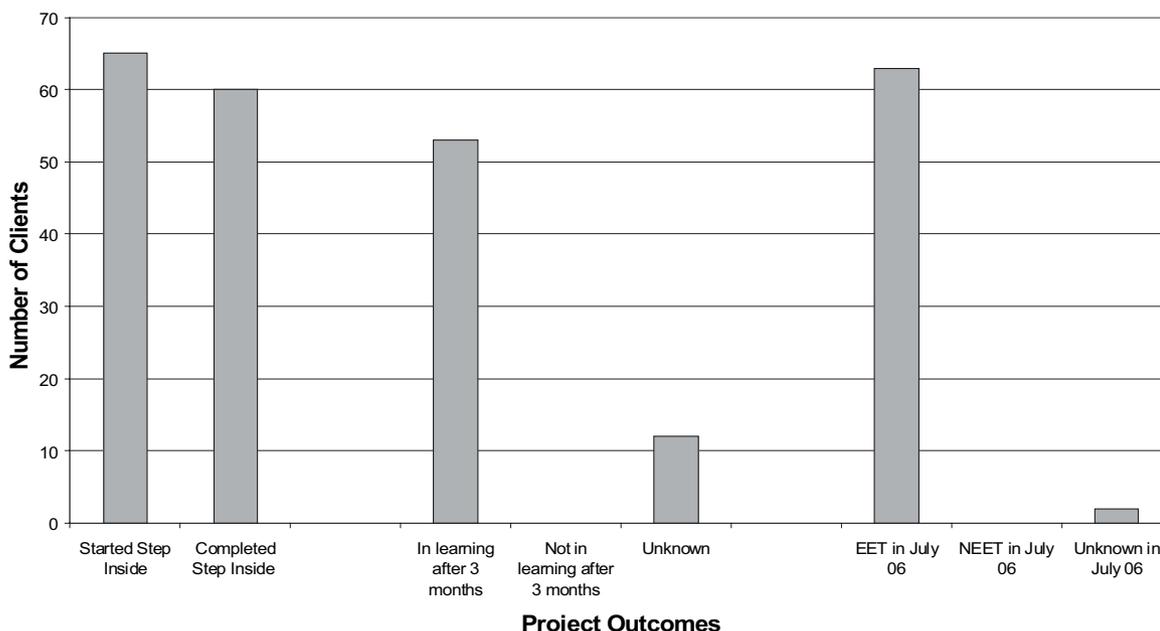
Partnership working is key to the success of Step Inside. The programme is led by Careers Management Bucks & Milton Keynes (CMBMK) and the Oxon Multi Arts Project (MAP) working with a number of other agencies and organisations, including the Connexions Partnership, Youth Service, Training Providers, the Voluntary sector, specialist workers such as performance artists, Substance misuse counsellors, First Aid trainers, and Education providers.

Results so far in Bucks and Milton Keynes have been very encouraging with schools reporting that the majority of young people who have gone through the programme significantly improved in terms of their attendance, motivation and attainment in structured learning.

**STEP INSIDE  
ANALYSIS OF PROJECTS 1-5  
PROJECT START DATES BETWEEN NOVEMBER 2004 AND NOVEMBER 2005**

Started Step Inside	65
Completed Step Inside	60
In learning after 3 months	53
Not in learning after 3 months	0
Unknown	12
EET in July 06	63
NEET in July 06	0
Unknown in July 06	2

**Analysis of Step Inside**



92 per cent Completion Rate on the course.

3 Months after the project ended 82 per cent in learning.

Percentage EET in July 2006 = 97 per cent.

Percentage NEET in July 2006 = 0 per cent.

Percentage Unknown in July 2006 = 3 per cent.

**Memorandum by Professor Karin Wagner, University of Applied Science, Berlin**

THE STRENGTHS AND WEAKNESSES OF THE GERMAN APPRENTICESHIP SYSTEM ON  
THE BASIS OF THE COMMITTEE VISIT TO DÜSSELDORF

STRENGTHS

*Combination of school-education and in-company training*

Advantages of the three-year apprenticeship period for apprentices and employers

During the visit to Galeria Kaufhof we met and talked with some of their apprentices. Some had chosen the occupation retailing, others wanted to become designers for visual displays in the shops and in the windows. Almost all of the retail apprentices had opted for a three year apprenticeship. The option of a two-year apprenticeship which is the first stage is mainly taken by less able school-leavers. As Galeria is one of the top ranking shops they would go for the more able school-leavers. For companies there is usually the advantage of higher productive output in the 3-year apprenticeship as Prof. Buschor has explained. This has also been illustrated by the study on net costs by Noll et al (2004): apprentices are most productive in the last year and net costs fall dramatically so that benefits might even outweigh the costs. For the apprentices the three-year apprenticeship has the advantage that the work related teaching provided by the company in-house is quite advanced and gives them a broad technical background (accounting, cost control, law for businesses and advanced knowledge about materials and the production of goods etc) that might be helpful in their further career.

*Guidance into a career path with good job prospects*

Matching company skill needs to apprenticeship places offered

The guidance into a promising career path includes a number of factors. The first one is that school-leavers are taught at school how to write applications. Second is that they have to find a company for their apprenticeship themselves. Thus, it is their initiative to address companies and to inform themselves about the possibilities. As they then make an informed choice the probability that they like this company will increase. A third point is that the supply (and costs) of apprenticeships by companies is regulated by their need for skilled workers. For some occupations—such as car mechanic for boys and window dresser for girls—the demand from school-leavers is extremely high but overall not so many persons are needed. Since companies (usually) take only as many as they like to employ later on the supply is restricted according to needs. We could see this at Galeria when we met quite a number of interns for visual displays who did practical work at Galeria without being accepted as apprentice. They have written many (up to 80) applications but did not find a place. Therefore they continued to further schooling to attain a higher school-leaving certificate which included the internship.

*Guidance of companies and quality of training*

Our visit to the Chamber of Commerce has shown that companies get a lot of support by the Chamber. To enter into a contract with apprentices is easy to do. The contract has just to be recorded by the chamber provided that the company fulfils the standard for training which includes the provision of a qualified trainer in most cases. Control of completion rates and oversight of examinations by the Chambers ensures that a high quality standard of in-company training is maintained. Attendance at the vocational school is enforced by companies. They monitor school attendance closely as schooling time is accounted as working time. If teachers notice unexcused absence of apprentices they inform the employer.

*Attractiveness of apprenticeships for all types of academic levels*

A major strength is the attractiveness of any occupation in the dual system for all types of academic school-leaving levels. In the two year retailing apprenticeship about 3 per cent of entrants have achieved the Abitur level. In the three year retailing apprenticeship it is 11 per cent in general retailing. If one includes books, cars and music instruments retailing then Abitur level participants increase to 21 per cent. This gives the

apprenticeship system a high reputation. It is not the type of career which is just taken by the least able school leavers.

This mixture of ability levels makes it harder to teach if they are all in one class in the vocational school. As we could hear at our visit at the Galeria and at the vocational school the better able apprentices get easily bored if they are taught together with the less able apprentices. Much of what is taught in these mixed ability classes they already know from school or can learn easily. Thus, the Galeria apprentices (many with Abitur) mentioned that they are not challenged enough. However, often the more able apprentices will be taught together in a class since they are usually allowed to shorten the apprenticeship by half a year. It very much depends on the numbers eg if there are enough apprentices to fill an extra class.

The school that we visited was not very impressive as it could not give a good impression of the combination of practical and theoretical teaching. The computer equipment looked dated although it might have been sufficient for the purpose. In mechanical engineering or woodworking the teaching at machines and the combination with theory can be displayed much better.

#### *Opportunities for continuous learning*

The combination of schooling and formalized on-the-job training helps young persons to improve their social and academic understanding. At the end of the apprenticeship they have improved their academic levels. This helps them firstly, to be better (and faster) prepared for further training or retraining if this should be necessary. Secondly, for most apprenticeships formal career ladders are organised to achieve an advanced level by taking an examination as “Meister” in crafts or “Fachwirt” in service apprenticeships.

## WEAKNESSES

### *Slow reaction to market needs*

#### Difficulty of providing sufficient places to absorb supply of young people seeking apprenticeship

Up until recently there has been a relatively slow reaction in adapting the curricula to the needs of the business. The process could, in the past, take up to 10 years. The new Vocational Training Act in 2005 has taken this into account and reduced the number of committees and stages for an agreement among the government, employers association and unions to modernise an apprenticeship or to introduce a new apprenticeship.

The new Act also has a provision to modularise the training. This provides opportunities for the companies to choose among modules for a specialisation which fits them best. For the apprentices examination flexibility has been introduced so that they can take examinations for different modules at different times. Up to last year all subjects for an examination had to be taken at the same time.

The increasing difficulties of young persons to find an apprenticeship place must also be seen. Part of the problem is the slow economic development in Germany during the last 10 years combined with the increasing outsourcing of production to countries with lower wage levels particularly in Eastern Europe and Asia. The government has responded by providing “training companies” for those who are not finding an apprenticeship place. These take up about 30 per cent of the apprentices in East Germany where the industry was hit hard by the adjustment to a competitive market after unification. Many others continue in full-time schooling. However, it is expected that with the present upswing of the German economy the number of apprenticeship places will increase considerably.

### *Skilled labour needs are hard to predict*

Even though companies can fill their supply of skills according to their own forecast, they sometimes misjudge their skill needs. If this is on the basis of a single company then it usually evens out as another company might have come to the opposite result. A problem arises if the intake is reduced in an economic recession when employees are dismissed and no one (therefore also including apprentices) is taken on. In an upswing a scarcity in skilled labour is noticed, business contracts cannot be fulfilled and it takes some time to build up new skills.

*Introduction of bachelor degrees*

A possible threat to the apprenticeship system could be the introduction of the shorter three-year Bachelor degree in Germany. This short degree course might attract able school-leavers to university studies instead of an apprenticeship. A significant reduction of high achievers in the more demanding apprenticeships might damage the reputation of apprenticeship in general.

**RECOMMENDATIONS FOR BRITAIN**

1. There should be an insistence that apprentices attend vocational schooling to raise their standards in general education. This has a number of advantages:
  - (a) (particularly less able) apprentices get more academic training;
  - (b) since the teaching of academic subjects is related to their occupational tasks they are interested and it is useful for their work;
  - (c) apprentices are better able to follow training courses in further training; and
  - (d) apprentices are easier to retrain which will be important for lifelong learning.
2. Contracts—to be successful—should be concluded directly between companies and apprentices. This is less bureaucratic and both sides are well informed what has to be expected. In the case of the Intercontinental Hotel in Düsseldorf they even have a five day testing period.
3. In my research in the UK (with Hilary Steedman) we found that British companies were not well-informed about apprenticeships. This emphasises the importance of the work of Düsseldorf's Chamber of Commerce. They inform companies about new developments and new occupations. They employ advisers whose job it is to visit companies to inform and advise them. Training success depends on a critical number of apprentices so that it will be worthwhile to set up training courses for the particular apprenticeships.
4. German vocational training regulations have been criticized for being too rigid and too slow to adapt to changes. However, British regulations change too often. The names of apprenticeship and youth programmes change every few years. In between these years the contents of the regulations change. This is very confusing for employers and school-leavers. A study by Paul Ryan showed that 16 out of 26 respondents of a survey of large employers mentioned that the expectation of frequent changes in programme requirements have a negative impact on participation.
5. Pupils should be informed about apprenticeships in their last school year as an alternative route to education.

*16 April 2007*

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