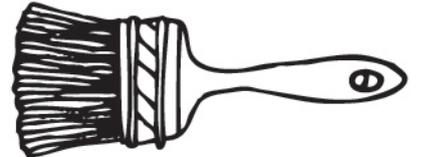
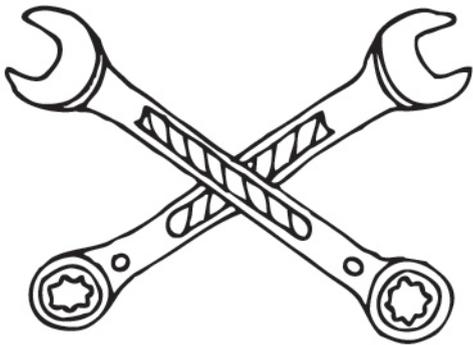


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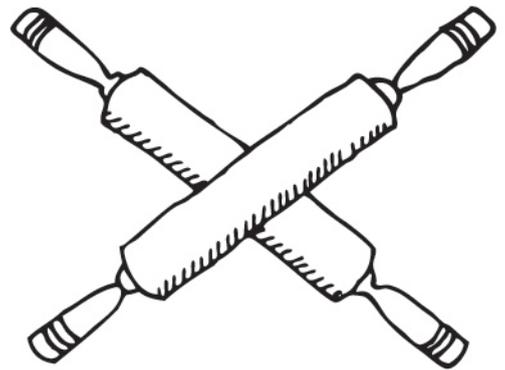


R I C H A R D

R E V I E W



of



A P P R E N T I C E S H I P S



DOUG RICHARD

NOVEMBER 2012

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# Overview

## Everyone likes apprenticeships

No matter who I speak with, when I mention apprenticeships people react warmly. The warmth crosses ages and party lines, regions of the country and backgrounds, ethnicity and gender. People tell anecdotes of people they've known who have succeeded through apprenticeships and they talk about what a fulfilling route to success it can be. Apprenticeships, or at least the notion of them, are popular.

This is a good thing and a bad thing. It is good because there is broad support amongst all stakeholders for a strong apprenticeship system in our country. At the same time, with that warm regard and that popularity, comes a diversity of views on what an apprenticeship is and, more importantly, what it should be going forward. This plurality of views in itself is no bad thing but it has led us to stretch the definition of what an apprenticeship is too far and, as a consequence, we risk losing sight of the core features of what makes apprenticeships work, what makes them unique.

My challenge, as set by the Government, has been to answer that question: What should an apprenticeship be in the future, and how can apprenticeships meet the needs of the changing economy?

This task has been called a "Review" because that is what we call such engagements. But in truth, given the question, it is not a review at all. It does not look back, it looks forward. This is not a critique of the successes and failures of the current system, nor an attempt to improve its efficacy; rather we are attempting to redefine the shape of the system itself, thus, this is a Strategy. It asks how an apprenticeship system must work in a future economy.

## **Apprenticeships matter**

They matter because many jobs are best prepared for whilst on the job. They matter because no single means of learning will ever suit everyone. They matter because many of the best run companies include apprentices, and they matter because the success of our society is, in part, measured on its capacity to shepherd our young people from childhood to meaningful employment.

At its heart an apprenticeship is a form of education. It requires a job, which requires an employer, but it is still a form of education, which implies that a key beneficiary is the apprentice and that as a society we have an obligation to support its delivery. But the employer also benefits and it is in their interest to have apprentices.

It is in the employers' interest because apprenticed employees provide benefits: they are more loyal and more effective. They understand their employers' business on a deeper level as they have grown up within it. They are more loyal to their employer because their own self-worth is tied to the quality of the employer whose training kite marks their accomplishment.

Society benefits as well. It is in society's interest because it provides a ladder into meaningful employment; it improves the quality of our workforce; and most importantly, it provides a critical tool for Government to fulfil its obligation to young people to prepare them for a lifetime of employment.

## **The meaning of apprenticeship has changed**

In the middle ages an apprenticeship was a contract between an employer, often a journeyman or master of their trade as certified by a Guild, and an apprentice, to work for a defined period of time in return for instruction, leading to a test that proved their readiness to become a journeyman themselves.

Many elements of the historical apprenticeship remain true today: the apprentice still needs to be employed and trained to develop the skills to do the job. But the notion of the test - the moment when the apprentice can show that they have “graduated” to the next level - has gone. In its place we have a welter of qualifications that, like stepping stones, serve to support the apprentice’s progress often without ever declaring their final competency. That must change.

And, whereas historically, an apprenticeship was at its very heart a relationship between an employer and an apprentice, too often that is not the case today – apprenticeships instead becoming a government-led training programme, shaped by training professionals not employers. The relationship between an employer and an apprentice must once again rise to the fore.

The modern apprenticeship also has additional elements. We cannot be content with an apprentice’s training being limited by the scope of the job. In a dynamic and changing economy, people need to be ready and able to apply their skills in new jobs and sectors. So while we must ensure that apprenticeships are training people for real and specific skilled occupations, we must also ensure that an apprenticeship is broad enough to equip someone with genuinely transferable skills: skills which they will need and use in any job, and skills which enable them to be competent and confident beyond the confines of their current job, both in their sector as a whole, and beyond it.

### **Everything is not an apprenticeship**

There has been a drift towards calling many things apprenticeships which, in fact, are not. This does not help us define and support apprenticeships going forward. Simply enough, not all instances of training on a job are apprenticeships. Apprenticeships require a new job role, a role that is new to the individual and requires them to learn a substantial amount before they can do that job effectively. An apprenticeship without a job is a form of vocational

training. An apprenticeship in an old job is on the job training. There must be a job and the job role must be new.

This assertion is not simply harking back to a traditional notion of what apprenticeship has always meant, nor what it means in most of the best international systems. I make this claim because we know that an apprenticeship model delivers the most value when it involves sustained and substantial training, fully and closely integrated within the experience of learning and practising a real job.

We are wrong to think apprenticeship is the only effective form of vocational training, which must be stretched to fill every task. Training to improve the skills of someone who has been in their job for some time, or is not yet ready to commence a job, are vital in their own terms and, in certain circumstances, these forms of training merit the support of Government. But they require different models; imposing an apprenticeship model on these functions risks delivering poorer value for money, the wrong approach to training, and risks distracting apprenticeships from their core purpose.

Many of our younger learners have more to learn than an apprenticeship can encompass; the path they need to travel will be longer. They must learn the skills to be employable in the first instance. They may well pass through a period of pre-apprenticeship training and effort; and it is my view that there is a lot to gain from ensuring these individuals can undertake high quality pre-apprenticeship training, informed by the lessons learned from the best of apprenticeship training, but potentially delivered, funded, and branded separately from the mainstream apprenticeship route. We need pre-apprenticeship opportunities which offer a genuine, recognised ladder into high skilled apprenticeships.

Thus we must ensure that apprenticeships are well regarded. Apprenticeships cannot be the collateral partner amongst our learning pathways. It is inappropriate for it to be viewed as a lower-status alternative to a purely

academic path through university to adulthood. University is clearly of value to many, paving the way to a lifetime of professional opportunity. But, however well-intentioned the desire was to drive fifty *per cent* of our school leavers to university without regard for their suitability for university or university's suitability for them, the result is an unthinking collective belief that a university degree offers an indication of greater capability which it does not, in fact, confer. And worse, in its absence, the learner is somehow inherently less learned or capable.

But we cannot expect apprenticeships to be well regarded if we do not make it clear what they stand for. A university degree is valued in no small part because it is a degree. We infer from its award that the student met and exceeded a clear standard. The same is not true for apprenticeships. That must change.

### **We need clear, effective and trusted qualifications**

Today we have the opposite of an effective system for defining apprenticeship outcomes: in many sectors we have an extraordinary number of qualifications, which under the guise of flexibility can be stitched together in an infinite number of combinations leading to any possible outcome but no clear accomplishment. We have overly detailed specifications for each qualification, extraordinarily detailed occupational standards, and a structure to apprenticeships which is rigidly enshrined in law, which attempts to ensure accomplishment, but inadvertently constrains innovation and flexibility in teaching.

We must turn the system on its head and set a few clear standards: preferably one per occupation, which delineates at a high-level that is meaningful to employers what it, means to be fully competent in that occupation, whilst unleashing our educators to reach that goal however they may. The standards should form the basis for new, overarching, qualifications. Unlike the standards and qualifications used in apprenticeships today, the new apprenticeship qualifications at the heart of my recommendations focus solely

on setting out, in terms relevant and meaningful for employers, what an apprentice should be able to do and know at the end of their apprenticeship. Not the intricate detail of today's occupational standards, or the micro-level prescription of today's vocational qualifications, which drive a focus on continuous bureaucratic box-ticking and assessment and obscure the real task of an apprenticeship – to teach new knowledge and skills, and demonstrate to future employers that an apprentice can do their job.

These new apprenticeship qualifications should replace today's apprenticeship frameworks. They should be set by those who know best: employers. That is not the case today, or certainly not as directly and consistently as it needs to be, and many employers complain that the frameworks are not fit for purpose. The solution lies in shifting the power over designing and developing apprenticeship qualifications to employers in a far more direct and transparent way than at present, whilst giving Government a clearer role in defining what a good quality standard looks like.

I believe that a contest for the 'best' qualification will best achieve this outcome. We envision that the contestants will be employers or employer-led coalitions. They might include current professional or employer trade bodies, newly formed groups developed specifically for the contest, individual employers - where they have the capacity, industry buy-in and desire to lead – royal academies or current sector skills councils that evolve to support this process or other groups. The new apprenticeship qualifications should be clearly linked to any existing and well-recognised certification process within sectors and across professions.

The Government's role is to lead the contest, set the judging criteria, and ensure a process which minimises the risks of politicisation and maximises rigour, trust and transparency. Key to winning the contest will be the extent to which the qualification is widely accepted and recognised amongst a broad set of employers within the industry, especially smaller businesses. It is the contestants' challenge to demonstrate that affirmation. The qualification must

also meet the Government's own criteria to ensure that it is sufficiently broad and thus creates a standard that is adequately transferable within the relevant sector, and of a sufficiently high level of skill to merit inclusion as an apprenticeship and attract Government funding. In return the Government will award that employer or industry group the power to define both the standard and the test by which that standard will be measured.

New qualifications, which are directly designed and developed by employers, will be a fundamental first step in transforming the credibility and quality of apprenticeships. But it is not enough. There needs to be a robust means of testing whether the apprentice has reached the desired level of competency.

### **Accomplishments must be robustly tested and validated**

We must keep in mind that the goal of an apprenticeship is to take the apprentice to a new level of competency in a given job, and ensure they can apply their skills in different contexts to their immediate job role. Continuous and time consuming assessment, driven by paper-based tests, accumulated 'evidence' and assessors with a vested interest in apprentices passing the test, demeans the apprentice's accomplishment.

Instead, there needs to be a test that demonstrates that the apprentice can take the knowledge and expertise they have gained and apply it in a real world context to a new, novel problem. The final test and validation must be holistic, in that it seeks to test the full breadth of the relevant competencies not merely the incremental progression of the apprentice. That may take the form of a project or an assessment in front of an examiner. It should be performance and real world based, rather than just theoretical. It should be primarily at the end of an apprenticeship, not measuring progress during it. And the examiners should be neutral parties with no interest in the outcome, drawn from the ranks of employers as well as educators, since employers themselves are best able to assess what makes an apprentice employable. In this regard we can learn from our continental peers.

And it means the official awarding of a degree, a diploma, a certificate or a qualification, call it what you like, that signals to the world that this person has accomplished something real and meaningful.

### **Maths and English predicate success in modern society**

Apprenticeships should attract some of the best students, including those who have already excelled in maths and English at school. But, for those who have not yet reached a good level by the time they start, Apprenticeships must include maths and English. Achieving a good level of maths and English, a more stretching level than many apprentices currently attain, should be a pre-requisite for completion. There are certain skills that predicate success in modern society.

But what is also true is that these are not monolithic accomplishments. Though GCSE levels of maths and English – or the EBC's that will replace them - are desirable, we must make sure that we have qualifications that are sufficiently functional in approach to be suitable for an apprenticeship context as well as a school-based learning environment. They must allow the maths and English to be taught in a real world context – which I believe can greatly assist students' understanding and internalisation of the concepts. However, I do not support the notion of many alternatives to GCSE or EBC level attainment, just a single high quality work-embedded alternative, if required. Finally, it is the Government's continued responsibility to fund this teaching as it falls clearly within its role in providing this essential education.

### **Freeing up the system**

Different people learn in different ways. People come to a job with different skills and different capacities. It is the hallmark of creative and effective teachers and trainers that they make the education learner-centric and active. No legislated curricula can ever hope to iterate at the pace our education systems can. We must let competing educators, public and private, innovate and explore to find the best ways to get our apprentices to the level of competency that the standard defines.

Equally, there is a revolution brewing in education, as the internet and broadband continue to challenge our traditional delivery of teaching. We are at the beginning of vast changes, and we may risk missing an opportunity if the system is hostile to change.

The same holds true for employers. Each employer's circumstances, experience and resources will be different. And many employers will have their own distinct approach to an apprenticeship. It is complicated and off-putting to an employer to have to undertake paperwork gymnastics to pigeon hole their system into a pre-defined set of curricular approaches. We should not focus on how our apprentices reach the standard, only that they do. How they get there matters, but it is not for government to define this – it is for the employer, the educator, and the learner.

### **Building on what we know**

We already know that a great apprenticeship has certain key elements and we would be wilfully blind to ignore them. There are distinct features of delivery that are likely to impact on the quality of the learning experience and outcomes for the apprentice. In particular, off-site learning can add real value: it gives the apprentice safeguarded time off the job to ensure they can do substantial training; it provides a peer group of different apprentices and gives the apprentice a wider perspective. We also know that apprenticeships must endure. There is real value in an apprenticeship lasting for a year or more. Apprenticeships measured in weeks or months, even if it is enough time to teach the required material and gain the requisite experience, can still fall short. It is as though the apprenticeship experience itself requires time to bed in and for the individual to transform from an apprentice to a skilled worker. We should afford our apprentices that time.

## Who Can Train

Though I believe strongly that we must unleash the curricula, I feel equally strongly in the need to invest in building the capacity of our training institutions. This can best be done by insisting that, though we will not mandate how they train, we will determine who can train.

I believe that the Government should develop a simple and light touch way of approving the institutions, employers or people entitled to deliver apprenticeship training, and that these decisions should be driven by whether this organisation is delivering good quality training, relevant to the needs of employers in that sector.

I also believe particularly strongly in our Further Education Colleges. Though there is an overly wide spread of quality in the sector, our best colleges are world leaders and are innovating in the delivery of apprenticeships. In some instances they are partnering and hosting small and niche specialist private providers, creating partnerships that benefit both. In other cases they are creating Learning Companies, which are full-fledged businesses in their own right, wholly owned by the colleges; an innovation that I strongly endorse.

## Handing purchasing power to the employer

The entire system I am describing here depends upon the parties to the system having their incentives and interests aligned. This can be most elegantly ensured by making sure that the funding of the system focuses everyone in the correct direction. In that spirit, I also recommend a re-direction of funding.

I agree with the distribution of the cost being shared by all three parties to the system – as they are today. Employers pay apprentices wages and put in the effort to train them to become useful to the business. The apprentice accepts a lower wage during their apprenticeship. And Government pays for part of the apprentice's training.

I think it is right the Government contributes to the cost of training and that it should continue to do so. However, I think that the purchasing power for training must lie firmly in the hands of employers. Employers are best placed to judge the quality and relevance of training and demand the highest possible standards from training organisations. To become real consumers of training, employers should have control of Government funding and, also, contribute themselves to the cost of training. The price should be free to respond to and reflect their demand for training. This way, training providers, public and private, will respond first and foremost to the employer's needs; something that is not always in evidence today. This will maximise the value for money from Government investment.

The Government's contribution should be linked, in part, to the achievement of the apprenticeship standard, so that Government can ensure it is investing in transferable skills that help make the apprentice more useful in the labour market as a whole, not merely in support of a specific employer. That does not stop the Government from acknowledging the extra challenges faced by small businesses or younger apprentices by paying more in those instances.

There are different ways in which funding can be delivered. I have a strong preference for using the National Insurance or tax system, as I believe it is the most elegant option, which drives the best outcomes with the greatest impact.

Finally it has the extra benefit of driving the awareness of apprenticeships amongst employers. If the funding system is attached to the tax system in a simple and effective way, then the awareness of apprenticeships will increase considerably - all employers, rightfully, are aware of their tax bill and anything that might reduce it. Driving awareness is the final element of the system that needs consideration.

## Awareness and Demand

For apprenticeships to be successful there must be adequate and balanced demand from employers and learners. Overall it is our core desire to increase the number of apprenticeships in England whilst simultaneously increasing their quality. That is no small task. The suggestions for reform listed above are focussed on improving quality and sharpening the brand.

The improvement of quality should impact both on employer and learner demand: employers will no longer be put off by what they might see as a low quality educational experience, and with employers in control of the standard setting, the testing and the funding flow, they will feel that apprenticeships focus on their needs and the needs of their companies. Similarly, learners will be more attracted if they consistently believe that they are receiving a worthwhile experience that leads to meaningful jobs and job opportunities.

But an increase in the quantity of apprenticeships will require us also to take direct steps to increase both employer demand and learner demand. Improving quality, value and relevance will not be enough on its own to significantly boost awareness and demand.

Learner demand is currently being artificially held back. When quality is consistently higher, we will need our schools, our teachers, and all those who inform and guide young people, to do a better job at providing them with the information they need to seriously consider apprenticeships. We need to get better at utilising the web and social media to inform employers and learners of all ages about apprenticeships, and we need to ensure that all relevant data is made freely available to help drive this change. And we need to find better, more creative ways to bring employers and potential apprentices together.

Government must continue to take responsibility for increasing awareness and demand for apprenticeships. But this does not mean marketing and

innovating itself; Government is at its strongest when it creates the conditions for others to better communicate, market, innovate and inform.

### **Valuing what works today**

In undertaking this Review, I had the opportunity to see and hear about a great many excellent apprenticeships, and talk to employers and apprentices who were getting a great deal from the experience. We must not disregard the pockets of excellent practice which exist today, in our drive for a more consistently excellent future. In taking forward the recommendations made in this report, Government must be mindful to protect what works – this doesn't mean compromising on the scale or breadth of change, but it does mean ensuring that change is led by employers and takes full account of what they value today as well as what they want for the future.

### **The System Holds Together**

My proposals - the redefining of an apprenticeship, the role of the employer in setting the standard, the simplification of the system to one standard or qualification per occupation, the freeing up of the curricula and of teaching methods, the robust testing of the accomplishment, the funding of apprenticeship training and the generation of demand and supply - together form a whole vision of the future. One element makes sense only in light of the other elements – and each element will be deliverable only if the others are delivered as well. This is not a list of recommendations that can be taken in parts. If we want the system to make sense, if we want it to work on the ground for apprentices and employers, these recommendations must be taken as elements of a single system that is adopted as a whole.

## Conclusion

Throughout this Review, many experts have told me that what we need is for our apprenticeships to look more like some of our European neighbours'; that my task was to prescribe a solution which involved us trying to become Germany or Switzerland.

Where they were right is that we have much to learn from these excellent systems; many of the core recommendations in this report owe much to their experiences. But I have not set out to turn English apprenticeships into German ones; while it may have been simpler, I cannot recommend we adopt a system built, over generations, upon a very different economy, labour market and social partnership.

So we are, in this report, taking a road less travelled – we describe innovations which, to some degree, do not yet exist in any other apprenticeship system. And we are doing so because we need an apprenticeship system which meets the needs, and maximises the potential opportunities of this country's economy, our learners, our approach to government and regulation, our future. This might be riskier than simply advising we 'become German' – but I believe it is the only sustainable way forward.

We do have one most important lesson to learn though. Elsewhere, in Europe and beyond, apprenticeships are held in very high regard. This is a very different world from England where all the prestige is tied to a university education and all alternatives are considered second class. The future is not going to be forgiving of such prejudices and we should be very mindful of that as we consider this review.

The recommendations listed above are not made lightly. They are meant to be taken as a whole and intended to help shape a system that has the

potential to be world class whilst being tuned to this country's specific economy.

This review sets out a combination of principles and proposals; there will be more work to do to bring this to a reality but it is doable as long as we have the will to engage. I strongly hope we do.

**Doug Richard**

## Recommendations

My recommendations for the future of apprenticeships in England are summarised below. It is important to stress that the different elements must be taken collectively: they are interlinked and the system will only make sense and be deliverable if all the elements are adopted as a whole.

1. **Apprenticeships should be redefined.** They should be clearly targeted at those who are new to a job or role that requires sustained and substantial training. Training and accreditation of existing workers that are already fully competent in their jobs should be delivered separately; as should provision aimed primarily at supporting entry into employment. The Government should introduce a new separate work-based programme to support entry into employment. This should replace some Level 2 apprenticeships.
  
2. **The focus of apprenticeships should be on the outcome.** There should be recognised industry standards at the heart of every apprenticeship. They should clearly set out what apprentices should know, and be able to do, *at the end* of their apprenticeship, at a high level which is meaningful and relevant for employers. These standards should form the basis of new apprenticeship qualifications, which replace apprenticeship frameworks, the current qualifications which comprise them and the current national occupational standards which underpin them. There should be just one apprenticeship qualification for each occupation associated with an apprenticeship. They should link to standards for professional registration in sectors where these exist and are well-recognised.
  
3. **The Government should set up a contest for the best qualification.** Individual employers, employer partnerships or other organisations with the relevant expertise should be invited to design and develop apprenticeship qualifications for their sectors. The selection of the 'best' qualification for an occupation should be based on Government-

set criteria for identifying what good looks like. The criteria should ensure the qualification is ambitious and stretching, delivers transferrable skills and has significant buy-in amongst employers, including small ones.

4. **The testing and validation process should be independent and genuinely respected by industry.** The test should be holistic, at the end, and assess whether the individual is fully competent and employable, within their job and their sector. Employers should be directly involved in assessment. They must make sure that the assessment consistently tests apprentices to the standard specified in the qualification. Assessors should be entirely independent and have no incentive or disincentive related to the outcome of the assessment. The Government, a government body or regulator should approve and oversee the assessment process, or the organisations in charge of that process, in a light touch way.
5. **All apprentices should have achieved Level 2 in English and maths before they can complete their apprenticeship.** Maths and English taught within apprenticeships should be sufficiently functional in approach to be suitable for an apprenticeship context.
6. **The Government should encourage diversity and innovation in delivering apprenticeships.** There will be many paths and approaches that an apprentice can take to reach 'the standard' and we should strip out any unnecessary prescription and regulation of the process for getting there.
7. **The Government has a role in promoting good quality delivery.** To maximise value for learners and minimise risk of poor practice, Government should make some off-site learning and a minimum duration for apprenticeships mandatory. Government should ensure that an effective, light-touch approval process exists to confirm training organisations are providing good quality training, relevant for the sector.

- 8. Government funding must create the right incentives for apprenticeship training.** The purchasing power for investing in apprenticeship training should lie with the employer. Government should contribute to the cost, but this should be routed via the employer, in order to ensure relevance and drive up quality. The price should be free to respond to and reflect employer demand. Government should only contribute to the cost of training that supports the apprentice in reaching the industry-agreed standard. The payment should be linked, in part, to the apprentice passing the test. A preferred approach would be to fund apprenticeships using the National Insurance or tax system – for example through a tax credit, similar to the R&D tax credit. The funding system should be kept simple and accessible, including for small firms.
- 9. Learners and employers need access to good quality information.** Relevant government data should be made open and accessible in simple language and formats, so that companies can connect it together to generate products that present data in meaningful, innovative and accessible ways. The Government, through its own communication channels and careers advice services, should ensure that information about apprenticeships and their benefits is effectively and widely disseminated.
- 10. Government must actively boost awareness of the new apprenticeship model.** Boosting learner and employer demand is an active responsibility of Government. Government should take an education based approach to this – enabling a wider range of employers to learn how to take on apprentices and why it's worthwhile. New ways to bring employers and prospective learners together should be promoted, including through an 'apprenticeship milk round'. More effort should be made to ensure that schools and teachers, parents and all those who inform and guide young people have a better understanding of what a high quality apprenticeship can offer.

# 1. Introduction

## The purpose of the Review

This Review of Apprenticeships in England was commissioned in June 2012 by the Secretaries of State for Education and Business, Innovation and Skills.

*The task it was set was " to ensure that in the future the programme is meeting the needs of the changing economy, consistently delivers high quality training and the professionally recognised qualifications and skills which employers and learners need, and is maximising the impact of government investment. The review should take critical look at apprenticeships and look to identify a set of principles and priorities for the optimal content of future apprenticeships, to ensure that every apprenticeship delivers new high quality training and professionally recognised qualifications."*

The key questions which the Review was invited to consider<sup>1</sup> included:

- What should the core components of an apprenticeship be - to meet the needs of employers (large and small), individuals, and the wider economy?
- Who should apprenticeships be for – which types of learners and employers can benefit most from apprenticeships?
- Are there elements of apprenticeships which should be simplified or stripped back?
- Are the qualifications which are undertaken as part of an apprenticeship sufficiently rigorous, and recognised and valued by employers?
- How should delivery arrangements adequately ensure all that apprenticeships provide significant new learning and acquisition of new skills, rather than the accreditation of existing ones?

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<sup>1</sup> See Annex A for the Richard Review terms of reference.

- Are there opportunities to improve the impact and value for money of public investment in apprenticeships?

In setting out to answer these questions, I have had my sights set firmly on the future. Inevitably, views on the future, and on the need for and shape of change, must to some degree be based on what exists in the present. However, my aim was not to evaluate or critique the current Apprenticeships Programme.

This report and the recommendations within it do not seek to change the current system at the margins, or explicitly to use it as the starting basis for any future programme. They seek to set out a vision, and the headlines of a strategy, for a future apprenticeships programme. Some of the principles and priorities which this review advocates may be said to be true of the current system, but my starting point was not whether these things are true in principle today, but whether and how they need to be true in a future apprenticeship system.

The change I propose here is, when viewed in the round, very considerable; navigating the journey from here to there will be a challenging task for the Government and all those involved in apprenticeships. In doing so, they must seek to preserve the very best of what exists within current apprenticeships, and help ensure these standards; aspirations and expectations become the norm for all apprenticeships

## **The scope of the Review**

Since skills policy is devolved, the Review focused only on Apprenticeships in England. It does not make policy proposals or recommendations for Scotland, Wales and Northern Ireland. In implementing this Review, the Government should engage with, and carefully consider the implications for, the devolved administrations.

Although the Review has sought to learn from models that exist in other countries, I have recognised that, as good as they may be, these would not be applicable or optimal in their entirety in England for many reasons. So I do not attempt a comprehensive international comparison in this review.

The Review was tasked with setting out a high level vision for the future and recommendations that would support that. It was not invited to propose a detailed plan for redesigning the apprenticeships system. This report, and the recommendations within it, should therefore be viewed as the first phase of a development for future apprenticeships, to be followed by the Government's response and detailed planning and testing. As such, it leaves many questions unanswered, but where it does so I have tried to set out how I believe Government and its partners need to go about finding answers to these questions, and the next steps they should take to translate the vision described here into a workable, shared plan of action.

## How the Review was carried out

The Review was conducted between June and November 2012, with the support of a small team of officials and secondees from business and the skills sector. In the time available, we sought to gather evidence and views from a wide range of sources and stakeholders, to identify and learn from best practice and test out emerging propositions.

Our research and stakeholder engagement included, amongst other things:

- A Call for Evidence which included national stakeholder events and the submission of 243 written responses;
- Meeting with employers, potential, current and former apprentices, colleges and training providers, academics, think tanks and experts, entrepreneurs, innovators and charities, consulting both those currently involved in the programme today as well as those who have not been;

- Consulting with Ministers, politicians from all parties, all of the bodies and agencies involved in the current delivery of the programme, and policy officials from within Government;
- Learning from existing programmes in other parts of the UK and other countries, both apprenticeship programmes and other programmes which seek to support training and entry into work;
- Reviewing existing evidence and relevant reports on apprenticeships.

I am very grateful to all those who took the time to share their views. The full list of organisations and individuals that responded to the Call for Evidence, the members of the stakeholder reference group, and the series of meetings and fieldwork visits that took place are set out in Annex B.

## **The Structure of Report**

The report starts by considering the core defining principles of an apprenticeship (chapter 2), then provides a proposal for how the outcomes of an apprenticeship should be defined (chapter 3) and tested (chapter 4), and proposes new delivery and funding models that best suit this new approach (chapter 5 and 6, respectively). Finally it considers the way in which demand from both employers and learners can be stimulated across the programme (chapter 7).

Each chapter sets out briefly the way the system functions today, key views from the stakeholders, a proposed future approach and briefly considers the potential impacts of the recommendations.

## **Box 1: Glossary**

There are a few key terms that we use in this report which have multiple meanings for those with experience of the skills system. For clarity, we set out what we mean in the review when using the following terms.

**Standards:** Standards describe the level of skill, knowledge and competency required to do a specific occupation well and operate confidently within the sector. They are high level and meaningful to employers when they are making decisions about a person's capability and suitability for a job role. They should form the basis of the final assessment of an apprentice. They are not the same as National Occupational Standards.

**Apprenticeships qualifications:** *Apprenticeship* qualifications affirm someone's competency in a given occupation – as defined by the standard (see above) - having completed an apprenticeship. Unlike the qualifications which are included in apprenticeships today, the apprenticeship qualification will be a single qualification that covers the range of skills and knowledge required for a job; and, unlike the qualifications which are included in apprenticeships today, they will define what an apprentice should be assessed on at the end of their apprenticeship, not how they should be taught or assessed during it. Qualifications may or may not be designed and developed by Awarding Organisations.

**Apprenticeship test:** The test is the process of accurately and reliably determining whether an individual has met the apprenticeship standard. It may have a number of components, testing the diverse and wide ranging skills required to do the job well, as set out in the specified in the qualification.

**Employer led bodies:** Employer-led bodies are organisations that are 'owned' by employers - employers determine their role, shape, structure and functions, according to their needs. These might include existing organisations – such as trade bodies or professional associations – or new organisations, formed specifically to engage in skills and apprenticeships.

**Traineeships:** This is a new proposed programme to support young people's transition into work, developing their employability skills and where relevant, preparing them for a high skilled apprenticeship.

## 2. The core defining principles of an apprenticeship

Before we can start to consider what the future model of apprenticeships should be, we have to be clear what apprenticeships are. What are the core defining features of apprenticeships and what sets them apart from other work based training? This chapter begins by describing the range of activities that the apprenticeship programme currently encompasses. I then highlight the key messages that I have heard in my discussions with stakeholders about what apprenticeships should really be and how they differ them from other types of work-based training. Finally, I set out my vision for how apprenticeships should be defined in the future.

### Overview

At its heart an apprenticeship is a form of education. It requires a job, which requires an employer, but it is still a form of education, which implies that a key beneficiary is the learner and that as a society we have an obligation to support its delivery.

Everything is not an apprenticeship. There has been a drift towards calling many things apprenticeships which, in fact, are not. This does not help us define and support apprenticeships going forward. Simply enough, not all instances of training on a job are apprenticeships. Apprenticeships require a new job or new role, a role that is new to the individual and requires them to learn a substantial amount before they can do that job effectively.

Many of our younger learners have more to learn than an apprenticeship can encompass. They must learn the skills to be employable in the first instance. They may well pass through a period of pre-apprenticeship training and effort; and it is our view that there is a lot to gain from ensuring these individuals can

undertake high quality pre-apprenticeship training, informed by the lessons learned from the best of apprenticeship training, but potentially delivered, funded, and branded separately from the mainstream apprenticeship route. We need pre-apprenticeship opportunities which offer a genuine, recognised ladder into high skilled apprenticeships.

**In summary, I recommend that:**

- Apprenticeships are redefined. They become clearly targeted at those who are new to a job or role.
- Jobs which are suitable for apprenticeships will be those which require sustained and substantial training;
- The Government introduces a new separate programme to address employability skills. This will replace some Level 2 apprenticeships.
- Training and accreditation of workers who are already fully competent in their jobs will be delivered separately to apprenticeships.

## The system today

There are three models of apprenticeship currently being delivered under the single brand. These are:

- i. Apprenticeships which deliver substantial skill gain and involve the transfer of a body of knowledge and skill through training which is specific to the occupation, and which therefore enables an individual who was not previously competent within a given occupation to become so;
- ii. Apprenticeships which serve primarily not to train or transfer a body of knowledge and skill, but to support the transition of a young person into employment, in any sector. Training takes place, but the primary skill gain is employability skills; vocation-specific training may occur but is secondary to the support provided to employer and apprentice, which

encourages an employer to recruit a candidate they may otherwise choose not to and supports the individual's successful entry into work.

- iii. Apprenticeships which cater for those who are already fully competent in their job. While some such apprenticeships can involve upskilling, many involve accreditation rather than training, and many serve primarily to support employee retention, loyalty and morale.

One reason that such different activities have all been delivered within the apprenticeship programme has been to utilise the power of the apprenticeship brand. The funding available for apprenticeships has also contributed to this.

### **The expansion and changing profile of apprenticeships**

The number of people starting apprenticeships has grown significantly in recent years. This has coincided with a significant shift in the profile of apprentices.

- First, apprentices are increasingly older. Latest data shows that growth has been fastest amongst those aged 25 and over, who now account for nearly a quarter of new starts.<sup>2</sup>
- Second, apprentices are more likely to have already been employed when they start their apprenticeship. In the 2011 Apprenticeship Pay Survey<sup>3</sup> some 70% of apprentices worked for their employer prior to starting their apprenticeship, whilst the remainder were new recruits.
- Third, there is some evidence to suggest that the nature and extent of training for apprenticeships is also changing. They appear to be shorter duration on average with learners in 2011 reporting that almost half of apprenticeships last a year or less.<sup>4</sup>

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<sup>2</sup> BIS Statistical First Release – Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held at

[http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr\\_current/](http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/)

<sup>3</sup> Apprenticeship Pay Survey 2011, Ipsos Mori, BIS Research Paper 64 (2012) at

<http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/a/12-p137-apprenticeship-pay-survey-2011.pdf>

<sup>4</sup> Evaluation of Apprenticeships: Learners, IFF and IER – BIS Research Paper Number 76

(2012) at <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/e/12-812-evaluation-of-apprenticeships-learners>

- Also, compared to 2007, evidence from the 2011 Apprenticeship Pay Survey provides an indication that fewer apprentices receive training now, with one in five apprentices saying that they did neither on-the-job or off-the job training.
- Finally, the subject or framework mix has changed too, with the largest expansion in recent years being in Business Administration and Law, and Health, Public Services and Care. Whilst those starting frameworks in Construction, Planning and the Built Environment have falling significantly.<sup>5</sup>

In summary, the current programme is very diverse, but increasingly dominated by older workers, some of who are new recruits, but many of which are existing members of the workforce. The duration and amount of training involved in apprenticeships is also declining.

## Views from stakeholders

- *“An apprenticeship is ... an investment in a person, by the employer, for the potential they will bring. In return, the employee gains the skills and knowledge to justify that investment. This package is often described as ‘greater than the sum of its parts’...” (CBI)*
- *“Apprenticeships should be a good job with high quality training designed for those new to the workplace to support their transition from work into education. (UKCES)*
- *“Putting poorly qualified young people onto apprenticeships undermines the brand with employers and leads to dissatisfaction with pre-16 education” (Southampton College)*

The overwhelming majority of stakeholders that I spoke to emphasised the key role that apprenticeships can and should play in delivering the skills

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<sup>5</sup> BIS Statistical First Release – Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held at [http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr\\_current/](http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/)

needed for the economy to prosper. But there was a perception amongst some that apprenticeships have been used as a cure-all solution for work-related skills. And, while there was a lot of praise for much of what the current apprenticeship programme has delivered, many – although not all - warned that the brand had been stretched too far. Those stakeholders argued that a stronger, more focussed brand, would lead to higher quality and better outcomes for employers and apprentices.

### **Views on the appropriate skill level of apprenticeships**

A number of respondents called for a push towards higher level apprenticeships and discussed the need to focus apprenticeships at level 3 and above. They pointed towards the relatively higher levels of many European apprenticeship programmes, and the negative effects of ‘diluting’ the brand by encompassing low skilled roles within it. Those stakeholders argued that growth in advanced and higher apprenticeships would bring important benefits in terms of overall economic competitiveness, as well as benefits to learners and to the programme’s status and profile.

Some stakeholders went further, and argued for scrapping level 2 apprenticeships altogether on the grounds that it weakened the brand.<sup>6</sup> Some stakeholders called for a distinction between less technical and shorter traineeships and more technical longer-term apprenticeships. They suggested re-defining level 2 work-based qualifications as ‘modern traineeships’ or ‘foundation apprenticeships’ with the option of progression onto apprenticeships, and called

However, some disagreed, arguing for an all-encompassing apprenticeship programme, which would include most work-related training for all jobs and

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<sup>6</sup> For example, Siemens commented that young people can be less willing to take apprenticeships because the publicity about short apprenticeships in certain sectors has had a negative impact on the brand.

levels.<sup>7</sup> Many providers approved of having level 2 apprenticeships because it allows them to teach apprentices at different levels. Also, some sectors argued in favour of apprenticeships at level 2 because they felt that that was the appropriate level given the skills requirements of the sectors - for example, in the care and construction sectors.

### **Upskilling and accreditation of existing workers**

Employers themselves have recognised that some of the apprenticeships they offer are actually upskilling - or largely accreditation - programmes for existing workers rather than ‘apprenticeships’. They argued that these programmes can be beneficially – boosting staff morale, retention and reengaging workers with learning.

However, most stakeholders that I spoke to argued that, although genuine upskilling of the adult workforce is important, this activity should not be bundled with apprenticeships; they claimed that the former diluted the brand of the latter or that apprenticeship might not be the best model for someone already experienced at competent in their job. Some argued that apprenticeships should be exclusively for people new to a role.

### **The case for limiting apprenticeships to certain ages**

The majority of stakeholders felt that apprenticeships should be available to all ages. However, many argued that young people should be prioritised, particularly when it comes to decisions on funding. A few stakeholders, however, argued that apprenticeships should be exclusively for young people, suggesting that the reduced wage levels and the volume of training built into some apprenticeships can be less appropriate to more mature career changers.<sup>8</sup>

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<sup>7</sup> For example, Tesco said: ‘We do not believe it is right [to limit apprenticeships to new entrants or specific ages]. Instead the emphasis should be on ensuring all schemes (including those for existing employees) are high quality and fit for purpose.’

<sup>8</sup> For example, BAE Systems suggested that apprenticeships should be for young people between the ages of 16 – 24 years and was less appropriate for adults (even those new to occupations).

## The future approach

Building on the evidence that we gathered and discussions we had during the fieldwork stage, I now set out my understanding of what an apprenticeship is now – and what it should be in the future.

### What is an apprenticeship?

An apprenticeship is a form of education that is based in the workplace. Apprentices acquire skills, knowledge and understanding through on and off-the-job-learning, and develop their skills as they do their job, by testing and applying theoretical knowledge and methods directly to the practical world of work. It is this interaction between work and education that defines what an apprenticeship is at its core.

### An apprenticeship must be linked to a real job

This is why I believe that an apprenticeship must be attached to a real job; an apprentice must be employed in a productive role. There may or may not be an expectation of a job afterwards. For example, it may be legitimate for firms to take on more apprentices than they can actually employ in the long term, such that not all apprentices are guaranteed to get a job within the same firm once they have completed their apprenticeship. But what is key is that, if it is a real apprenticeship, they are actually doing the job – at the level they are being trained for – during the apprenticeship.

This means that, for example in retail, a store manager apprentice should get direct experience managing a store, not just working as a sales assistant. Or, in a factory setting, an apprentice for a supervisory position should not only gain experience running and operating machinery, they should also have opportunities to diagnose and fix the machinery, preparing them for a supervisory role in future. While they are likely to begin their apprenticeship at a lower level of responsibility than the level they are working towards, the job they are training for must be real from the outset – they must have the

opportunity to learn and apply their skills on the job, at the level to which they are being trained.

### **An apprenticeship must deliver transferable skills**

Another central feature of an apprenticeship is that it must deliver broad and transferable skills. The successful apprentice must, on completion, be qualified to do the job well in a range of situations and across different companies within a sector, not just within one particular firm. This means all employers within a sector will recognise and value the skills and competencies that successful apprentices can offer, irrespective of which firm they have come from.

Training that is specific to an individual firm's needs - say, training to use a particular firm's logistics system - is also valuable, and can contribute to the productivity of workers. This type of training should be part of the apprenticeship programme, alongside the broader skills that are relevant across the sector, and the employer should have full freedom to supplement the core apprenticeship with this training as they see fit. But firm specific training should not be funded by Government (see chapter 6).

### **An apprenticeship involves a new job role**

Not all instances of training on a job are 'apprenticeships'. An apprenticeship is one path, amongst others, for acquiring the knowledge, experience and competency for doing a skilled job well. It should involve substantial learning for those new to a job or role. Increasing the skills of people within an existing job which they are already competent in is not an apprenticeship. Someone already doing the job for a significant period of time, should, by definition, already be at the standard required to do the job. Therefore, I believe that, for a genuine apprenticeship, the learner must be new to the job or role. This might include learners who are already employed within a firm but that are stepping up into a new role or who are relatively new to a position. But ultimately, there must be a new role associated with an apprenticeship.

Improving the skills of someone already doing a job (or ‘upskilling’) is valuable and may well be something the Government wishes to support in other ways. Accreditation, for individuals who want their existing skills recognised, is also beneficial. But these activities are not apprenticeships and they should remain clearly distinct from the apprenticeship programme. This is important for ensuring efficient and effective application training, and for maintaining value for money and a strong and credible brand. We do not consider the role of Government in ‘upskilling’ and accreditation further as part of this review.

I believe that apprenticeships should be open to anyone. In a changing world, where there is no longer a job for life, and where workers constantly need to respond and adapt to changing market conditions, workers of all ages should have the opportunity to achieve their career goals through an apprenticeship. Older as well as the younger workers will find themselves starting new jobs or roles. They could greatly benefit from an apprenticeship, irrespective of their age.

However, although age *per se* should not be a relevant consideration, it is true that many older ‘apprentices’ today have often already done the job for the same employer for some time before becoming an apprentice. Inherently, an apprenticeship programme along the model I describe will tend to have a high proportion of younger workers, since they are more likely to be starting a new job or role. But we would also expect significant numbers of older workers to participate in the programme.

### **An apprenticeship job must require sustained and substantial skills**

A further core feature of an apprenticeship is that it is most meaningful for jobs which require substantial training and high levels of skill. Not all jobs can or should be associated with an apprenticeship role. That is not to say that relatively low skilled jobs do not require some form of training and investment in skills; most jobs will require some basic training and on the job learning. But, where the transition into a new role can be made relatively quickly,

without a large investment in time and resources to deliver the skills needed to do the job, or where an employer would expect to provide this level of training themselves to all new employees, then an apprenticeship role is unlikely to be an efficient or proportionate way of investing in the learner.

Today, we encompass a very wide range of job types within the apprenticeship brand, including some relatively low skilled jobs. Many stakeholders have told me that apprenticeships are not offering consistently challenging, deep or broad experiences for the apprentice. Some frameworks have very low numbers of guided learning hours, and some are not really linked to a specific job at all, for example customer service. They also point out that in most European countries, the bulk of apprenticeships are at intermediate or upper secondary level (Level 3) and typically last for two – but more often three – years. England stands out, with the majority of apprenticeships at lower secondary level (Level 2) and many taking less than a year to complete and sometimes even less than six months<sup>9</sup>.

Going forward, I believe that we should focus apprenticeships on those jobs that need substantial investment in skills, and rely on other forms of training to support individuals in lower skilled jobs. Jobs that are sufficiently high skilled to suit an apprenticeship will: require substantial training before it is possible to become competent; require training that goes beyond what an employer might typically offer to all new staff; typically take more than a matter of months to become competent; and require skills which enable progression within the sector beyond the immediate job.

A shift towards an apprenticeship programme that clearly delivers substantial training for skilled work will strengthen the reputation of the programme and lead to proportionately more level 3 and fewer level 2 apprenticeships though some level 2 apprenticeships will continue to have a valuable role to play. It

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<sup>9</sup> Evaluation of Apprenticeships: Learners, IFF and IER – BIS Research Paper Number 76 (2012) at <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/e/12-812-evaluation-of-apprenticeships-learners>

will also support growth in 'higher apprenticeships' (at Level 4 and 5) and beyond. This is important, since I believe that apprenticeships can and should offer an effective pathway for highly skilled work, including professional and senior job roles. A stronger brand, that is more closely associated with quality, can and should transform the way employers source the best talent in future.

### **A new traineeship programme**

While I would argue that some current apprenticeships are training people for lower skilled jobs, for which an apprenticeship is not the best training route, in the course of this review I have been very impressed with much of what these apprenticeships are offering. They do not fit the model of what I am proposing an apprenticeship should be in the future, because the occupation-specific training is often very narrow and limited. These apprenticeships are however providing excellent support to young people in particular, and it is vital that the lessons from these apprenticeships are captured and not lost. This merits a new and separate programme in its own right, with its own governance principles that may be different to those of the apprenticeship programme.

These activities, that are currently part of the apprenticeship programme, enable employers to choose to take on a young, inexperienced, often riskier individual into their company who, were it not for the apprenticeship brand and the support of the training organisation, they would never have chosen to employ. The training organisation supports both the individual and the employer to make the relationship work, providing one-to-one support to help the individual successfully navigate their first experience of work, and problem solving where issues arise so that relationships don't break down at the first hurdle. They offer the individual mentoring, support and employability skills, and often a peer group of other young apprentices with whom to share their experiences. In some cases, particularly where the job is relatively low skilled, the gains from acquiring employability skills are far more significant than the vocation-specific training or qualification.

We must recognise, going forward, that not all learners who want to do an apprenticeship will be ready to become an apprentice straightaway or will be attractive to a prospective employer – all the more so if apprenticeships are increasingly focussed on relatively higher skilled jobs. Individuals who are taken on as an apprentice must be able to demonstrate the potential to acquire the skills to do the job well, even if they are starting from a low base. Some learners, particularly younger ones or the long term unemployed, may need to learn the softer skills that will make them employable before they are ready to start an apprenticeship.

I believe therefore that a significant new offer should be introduced to support young people's transition into work, developing their employability skills, and where relevant, preparing them for a high skilled apprenticeship. The new programme – 'traineeships' perhaps - should replace existing apprenticeships where they are linked to lower skilled jobs.

But the value of this type of provision, and the need for it, is very evident so this should become a broader offer for a wider pool of young people. The lessons from the current apprenticeship programme - about what really does help young people to enter into and succeed in their first job, and what really does encourage and enable employers to take a risk on a young person - should be captured much more widely within our provision for young people. This type of approach must have a bigger role to play in preparing our young for the world of work, irrespective of whether it is followed by an apprenticeship, particularly for 16-18 year olds. So, it should encompass the lower end of existing level 2 apprenticeships, but not all of them, as well as a wider pool of people not currently in apprenticeships.

Work experience should be at the core of this new programme. But work experience must be offered with support and coaching, often by someone outside the firm. The programme should include English and maths where required, ideally at Level 2. It should last at least 3 months, but often longer

to be effective. Individuals will need time to adapt and embed their learning experience.

Many training organisations currently provide this type of support, as do many charities that run their own pre-employment and pre-apprenticeship initiatives currently. But this new programme should be a well-defined, large-scale programme in itself, separate and distinct from the apprenticeship programme. This clear distinction is important so that we can ensure both 'traineeships' and apprenticeships deliver what they are each best placed to do, to individuals best suited to that distinct path.

'Traineeships' will require serious Government investment – they cannot be the poorer cousin to apprenticeships; they will play a vital role and will need the investment, public profile and status, and political prioritisation necessary to be a sustainable success. This Review focuses on the design, delivery and funding of apprenticeships, so does not offer detailed design of the new traineeship offer. My recommendation is that Government now commits to introducing a new traineeship offer, to capture and scale the lessons from some of the best apprenticeships, and to enable apprenticeships themselves to focus on higher skilled jobs. Some of the principles that should underpin the future model of apprenticeships may be relevant for traineeships but not all of them, so Government should consider traineeships separately.

### **Summary of what is and what is not an apprenticeship**

Today we bundle a number of different activities into the apprenticeship programme, unnecessarily complicating the system, diluting the brand, reducing value for money, and at times detracting apprenticeships, and those who are involved in offering them, from their core purpose and from where they can make the greatest impact. Going forward, we must create a clear and common understanding about what is and is not an apprenticeship. I believe:

- An apprenticeship is a form of education, based in the workplace. It must be attached to a real job and deliver broad and transferable skills that are recognised and valued across the sector. An apprentice must be new to the job or job role and the job must involve substantial and high levels of skill. Suitable candidates should have the potential to acquire the skills to do the job well, even if they are starting from a low base.
- An apprenticeship is not a programme for any training needed for any job. An apprenticeship should not be about upskilling or accreditation for those that already have the skills to do the job. And it should not be primarily a vehicle for addressing employability skills for those entering low skilled jobs.

## Consequences of re-defining apprenticeships

I believe that the definition of apprenticeships should be more focussed than it is today. This means redefining some of the activities that we currently include within the programme, and therefore removing them from the apprenticeship programme. I firmly believe that this need not mean that we will see a decline in apprenticeships volumes in the longer term, but this will be a risk in the short term as the system adjusts to these changes. In time, a stronger and clearer brand should boost the demand for those apprenticeships that generate the highest value for learners, employers and society. A high quality focussed programme will be self-reinforcing, attracting new employers and learners which, in turn, will strengthen the brand and attractiveness of the programme.

Other activity previously within the apprenticeship programme – such as employability, pre-apprenticeship or traineeship type activity, or ‘upskilling’ of experienced workers – will continue, and some will continue to attract Government support. In some cases, better tailored Government programmes

for these activities could support their expansion and their impact. In the case of support for those with low skills entering work, for whom we are proposing the new traineeship, significant Government support and investment will be vital, so as to avoid the risk that these individuals lose out on valuable support as we shift to making the apprenticeship programme focused on higher skilled jobs.

But some provision currently included in apprenticeships may need to find new sources of funding and support. In some cases, particularly for more experienced employees, it may often be more appropriate for the employer or the individual to fund this training, rather than Government. Similarly, where employers have been using the apprenticeships programme to deliver narrow, job-specific training only, they may now be expected to fund this training themselves. This might be contentious amongst employers whose current training attracts public funding but may not in future qualify as being a genuine apprenticeship. But this is inevitable if we want to create a strong and credible brand that delivers that highest possible value for employers, learners and society.

There does not need to be a trade-off between quality and quantity of apprenticeships. But I believe that growth in apprenticeship participation – the right type of growth - will not happen automatically. Government has an important role in making sure employers and learners know and understand the new brand of high quality apprenticeships and what it can deliver for them, and are suitably enabled, encouraged and incentivised to participate. We consider how in chapter 7.

This chapter has set out what an apprenticeship is and what it is not. I now consider how the apprenticeship system should be designed such that it delivers high quality relevant training.

## 3. Apprenticeship Outcomes

This chapter starts by explaining what the key elements of apprenticeships are today. It sets out how the content is currently determined and by whom. I then describe what employers and other stakeholders have said about how well this works. Do employers feel the current programme is delivering the skills that they need? And is it sufficiently flexible and responsive to the changing economy? I then go on to describe a fundamentally new approach to apprenticeships, where the focus is much more firmly on getting the apprentice to the standard required to do the job well, as defined by employers.

### Overview

Today we have the opposite of an effective system for defining apprenticeship outcomes: in many sectors we have an extraordinary number of qualifications, which under the guise of flexibility can be stitched together in an infinite number of combinations leading to any possible outcome but no clear accomplishment. We have overly detailed specifications for each qualification, extraordinarily detailed occupational standards, and a structure to apprenticeships which is rigidly enshrined in law, which attempts to ensure accomplishment, but inadvertently constrains innovation and flexibility in teaching.

We must turn the system on its head and set a few clear standards: preferably one per occupation, which delineates at a high-level that is meaningful to employers what it means to be fully competent in that occupation, whilst unleashing our educators to reach that goal however they may. The standards should form the basis for new, overarching, qualifications. Unlike the standards and qualifications used in apprenticeships today, the new apprenticeship qualifications at the heart of my recommendations focus solely

on setting out, in terms relevant and meaningful for employers, what an apprentice should be able to do and know at the end of their apprenticeship. These new apprenticeship qualifications should replace today's apprenticeship frameworks. They should be set by those who know best: employers. That is not the case today, or certainly not as directly and consistently as it needs to be, and many employers complain that the frameworks are not fit for purpose.

I believe that a contest for the 'best' qualification will best achieve this outcome. We envision that the contestants will be employers or employer-led coalitions. The Government's role is to lead the contest and set the judging criteria, and ensure a process which minimises the risks of politicisation and maximises trust and transparency. Key to winning the contest will be the extent to which the qualification is widely accepted and recognized amongst a broad set of employers within the industry, especially smaller businesses. It is the contestants' challenge to demonstrate that affirmation. The qualification must also meet the Government's own criteria to ensure that it is sufficiently broad and thus creates a standard that is adequately transferable within the relevant sector, and of a sufficiently high level of skill to merit inclusion as an apprenticeship and attract Government funding.

**In summary, I recommend that:**

- Recognised industry standards are put at the heart of every apprenticeship. They should clearly set out what apprentices should be able to do *at the end* of their apprenticeship, at a high level which is meaningful and relevant for employers.
- These standards form the basis for new apprenticeship qualifications, which replace apprenticeship frameworks, and replace the current qualifications which comprise them and the current national occupational standards which underpin them.

- Individual employers, employer partnerships or other organisations with the relevant expertise should be invited to design and develop meaningful apprenticeship qualifications for their sectors.
- There is one overarching apprenticeship qualification for each occupation associated with an apprenticeship. Apprentices do not complete a package of qualifications; nor are there multiple competing qualifications per job role.
- Government sets up a contest to select the ‘best’ qualification for an occupation. The selection will be based on Government set criteria for identifying what good looks like.
- The criteria ensures that the qualification is ambitious and stretching, delivers transferable skills and has significant buy-in amongst employers, including small ones. The qualification should be linked to profession registration where these exist.

## The System Today

### The content of apprenticeships today

In today’s system the contents of an Apprenticeship framework are set out in general terms under legislation in the Apprenticeships, Skills, Children and Learning (ASCL) Act of 2009. Subsequently the Specification of Apprenticeship Standards for England (SASE) was introduced, which sets out the minimum requirements of Apprenticeship frameworks.<sup>10</sup>

There are currently 181 frameworks<sup>11</sup> available in England, based on occupation, some at multiple levels, with over 100 others in development. Each of these represents distinct packages of learning. Although there is, in

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<sup>10</sup> SASE sets out the type and level of qualifications required for apprenticeship frameworks at each level, the functional English, maths and ICT requirements, the Employee Rights and Responsibilities, the personal learning and thinking skills needed, and the level of on or off – the-job training, and planned guided learning hours associated with completion of the framework.

<sup>11</sup> Apprenticeships frameworks online at <http://www.afo.sscalliance.org/frameworkslibrary/index.cfm#current>

principle, the freedom for anyone to develop a framework, the current frameworks have been developed mainly through Sector Skills Councils (SSC's). The process requires a framework proposer, a framework developer and an issuing authority whose role it is to certify that the framework meets the requirements of the SASE.

In theory these 3 roles can be carried out by different organisations, for example an individual employer can propose a framework, an SSC can develop it on behalf of the sector and a 3<sup>rd</sup> body "Issuing Authority" commissioned by the Secretary of State can issue the framework. However in practice it has sometimes been the SSC working with employers that perform all three roles.

National Occupational Standards (NOS) play an important role in framework development. These were intended to specify the standard of performance an individual must achieve to be competent in a particular role at work, including the relevant knowledge and understanding. They are used as guidance to inform the development of vocational qualifications, which make up apprenticeships. They can also be used to support job descriptions and learning and development. NOS are generally produced by SSCs or other sector bodies. They are immensely detailed, describing in great detail every component of every task an employee in a given job role may be expected to do; as a result NOS are widely criticised for their relevance to employers and their usefulness in informing training and qualifications.

### **Number of qualifications today**

The list of publicly funded vocational qualifications that are eligible for inclusion in an apprenticeship, are set out in the Qualifications and Curriculum Framework (QCF). As at August 2012 there were 12,800 qualifications on the QCF, of which 11,775 were 'live' - that is still eligible for public funding - and only 30% of these actually had awards registered against them.

The sheer volume is in part due to unitisation which means that all qualifications are broken down into their constituent elements either as an award, a certificate or a diploma and have credits attached to them. Also, for many of the qualifications, there are multiple awarding bodies that offer them. For example, a Level 2 NVQ Certificate in Business and Administration is offered by 16 different awarding organisations and a L3 NVQ Certificate in Hairdressing is offered by 4 different awarding organisations<sup>12</sup>.

### English and maths requirements

The requirement for functional English, maths and ICT vary by framework.<sup>13</sup> However, as of this academic year, all apprenticeship providers will be required to offer training in English and maths up to the standard of a good GCSE (level 2) for all apprenticeships, with an aim that all apprentices should be ‘working towards’ this level, but it’s unclear how often this level is actually achieved.

## Views from Stakeholders

- *“Government should regulate the system to ensure standards are upheld, but it should not determine the content - this must be done by employers” (British Woodworking Federation)*
- *“...although an Apprenticeship should meet an employer’s immediate skills needs, it should be designed to meet wider social, economic and personal development aims.” (Leicester College)*
- *“Individuals having completed an apprenticeship programme should be able to demonstrate a rounded knowledge of a particular subject area but also be able to demonstrate that they consistently meet pre-defined levels of competency at an agreed national standard.” (Lifetime Training Group)*

<sup>12</sup> The Learning Aims database at <https://gateway.imservices.org.uk/sites/LARA/Pages/Welcome.aspx>

<sup>13</sup> For example, in a L2 Beauty Therapy Framework the apprentice is required to reach either a Level 1 in Functional Skills or obtain at least an E grade in GCSE in both English and maths. For a L3 Construction framework this requirement increases to a Level 2 in Functional Skills or GCSE Grade C and above.

## The system is not genuinely employer-led

Stakeholders clearly believe that apprenticeships must be relevant to business. Although, in principle, employers can influence apprenticeship frameworks and qualifications today, a strong and recurring theme that I heard from stakeholders was that the system is far too complex and that in practice, SSCs and Awarding Organisations - rather than employers themselves - were the ones in the driving seat.

Some stakeholders gave me examples of SSCs working effectively and delivering good outcomes for employers and apprentices, but many were critical, suggesting that, in some cases, they were responsible for developing poor frameworks that were not fit for purpose. They questioned whether all Sector Skills Councils really represent all employers and argued that more employer involvement is needed. They also provided evidence suggesting that employer awareness of SSCs and their role is very low.<sup>14</sup>

## Making apprenticeships relevant to business

Many stakeholders advocated either a move away from or complete redesign of Sector Skills Councils, stating that experience showed them not to be effective at employer engagement and awareness. A number of alternative models were put forward. For example:

- Some stakeholders would prefer to see apprenticeships designed through Professional Bodies or other industry consortia instead.
- Others suggested that each industry or sector should have a Board with a remit to agree content and delivery elements for

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<sup>14</sup> UKCES survey evidence from 2010 suggests that just 34% of employers (covered by an SSC) were aware of their SSC (Employer Perspectives Survey, 2010, UKCES at <http://www.ukces.org.uk/publications/er25-employer-perspectives-survey>). Similarly, the Federation of Small Businesses reported that its survey of SMEs revealed that only 26% of manufacturers are engaged with SSCs. Federation of Small Business, The Apprenticeship Journey, Nov 2012, at <http://www.fsb.org.uk/policy/Publications>

apprenticeships, such as acceptable outcomes and qualifications, and potentially appropriate levels of financial support.

- Others suggested that in future design and delivery of apprenticeships in each sector should be led by a large employer in the lead for that sector, with support from an appropriate professional body.

The Employer Ownership Pilot was described as evidence that employers are willing and able to become much more directly involved in designing apprenticeship for their sectors. However, some recognised that although employer-led content development would work at the level of large companies, it would be more difficult at SME level.

A number of stakeholders pointed to examples within sectors where employers and other experts were collaborating to develop and recognise standards, independently of the Government system.<sup>15</sup>

Most stakeholders cautioned against tailoring apprenticeships to *individual* employer needs, arguing instead that outcomes and qualifications should be defined at a *sector* level, albeit with the need for a degree of flexibility to suit particular needs. Awarding organisations who we spoke to supported the argument that the standard and content of apprenticeships should be employer-led, but they argued that this should not be employer ‘ownership’ but employer ‘partnership’ and that training providers or FE Colleges would have a strong role to play in supporting that design.

## **The continued role of qualifications**

Many stakeholders considered qualifications should play an important role in apprenticeships, since they provide a benchmark of achievement. But some

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<sup>15</sup> For example, Education for Engineering said: “... employers...often give their time freely to contribute to the development of the UK-SPEC [the professional registration standards for engineering] qualification framework, they give the time to those undertaking assessment and they pay part of the subscriptions of those who then register. ....As an assessment framework, UK-SPEC focuses on outcomes. It does not dictate a specific pathway to achieve those outcomes.”

respondents thought that, instead of acquiring a collection of qualifications, there should be a move towards meaningful proof of skills, with successful apprentices gaining a 'licence to practise' through testing and validation of overall performance at the end of their apprenticeship.

Employers felt strongly that, although stronger numeracy and literacy is important to them, it should be for the school system and not employers to address the lack of these skills in this area. Many saw the need for functional skills to be addressed through pre-apprenticeship or traineeship programmes.

### **The importance of flexibility**

Many stakeholders felt it was important that apprenticeships are able to respond flexibly to changing technology and market needs, to ensure that they remained relevant and allowed business to grow the skills it would need in the future. Some sectors particularly emphasised the need for flexibility within apprenticeship frameworks to allow options for rapid inclusion of new techniques or procedures into content and qualifications, reflecting that the current system is not responsive enough to changing business demands; particularly in highly technical and creative industries.<sup>16</sup>

The Federation of Small Businesses also commented that a flexible, modular, system of frameworks would allow for small businesses to be better able to put together models that suit their business needs.

In summary, there was a strong and consistent view across all the groups of stakeholders that I spoke to that employers and industry are best placed to determine the content and outcome of apprenticeships. However, most stakeholders were clearly not satisfied that this currently happens. They were worried that the process for influencing apprenticeship frameworks was overly complex. Many stakeholders also told me that apprenticeships were not consistently delivering high quality outcomes, often because the system

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<sup>16</sup> For example, the Institute of Practitioners in Advertising said "*Our sector is evolving rapidly and provision needs to keep pace and be able to respond to this, with the minimum of bureaucratic restrictions...*"

encourages too much focus on the processes and components needed to attract funding – or ‘box ticking’ – which did not always incentivise and deliver the right skills.

## The future approach

I believe that apprenticeships should be focussed on outcomes: the outcome of an apprenticeship is its sole purpose and it is this which should define all other aspects of an apprenticeship. The outcome that we want an apprenticeship to deliver is that an individual, at the end of their apprenticeship, has reached the standard expected of members of that occupation. As such, they are capable of doing their job well, confident to operate within their sector, and attractive to employers beyond their immediate job. In meeting the industry standard, any employer within the sector can be confident that the completed apprentice now has a recognised set of skills and capabilities, and can be expected to operate competently within a new work environment.

Currently, while some apprenticeships achieve this, many involve completing a package of often small qualifications, selected from many thousands available, many of which are not recognised or valued by employers, and which emphasise continuous assessment or evidencing of individual tasks or competencies at a very detailed level, rather than focussing on the whole outcome expected to be achieved at the end – the type of person the apprentice is expected to become.

Reform is needed to place the achievement of a recognised industry standard at the heart of every apprenticeship. This standard, which sets out what is required to do the job well, should form the basis of a new overarching apprenticeship qualification. These should replace apprenticeship frameworks – along with the qualifications which comprise them, and the national occupational standards which underpin them. The new apprenticeship qualifications will differ fundamentally from these by focussing

solely on setting out, in high level terms relevant and meaningful for employers, what an apprentice should be able to do at the end of their apprenticeship.

The new system will need to place employers much more firmly, transparently and consistently at the centre of the process for defining the content of an apprenticeship. While some SSCs do a good job at representing employers in their sector, we have heard time and time again that for many employers the process of defining an apprenticeship is too far removed from them, too opaque, and too much in the hands of skills professionals rather than real employers.

My key recommendation is therefore that apprenticeship frameworks should be replaced by new apprenticeship qualifications, which define what an apprentice should be capable of doing upon completion, and that these should be defined by employers.

### **Apprenticeships should be outcome-focussed**

The outcome of an apprenticeship should be clear to employers. At the end of their apprenticeship, the apprentice, if successful, should have the skills and competency required to do their job well, *and* be employable in other similar jobs and attractive to other employers. Not just a narrow job in a specific firm, but all similar jobs within the sector. As such, completion of an apprenticeship should be a clear, recognised and trusted sign to employers of an individual's capabilities.

There will be many paths and approaches that an apprentice can take to reach that outcome. Different packages of work and learning - with distinct structures, curricula and teaching methods - may be equally valid pathways to getting an apprentice to become competent in a job. We should not try to prescribe or focus on one single approach because what matters is the outcome, and because the Government is not well placed to judge the most effective approach to getting to an outcome. In fact, the most appropriate and

effective approach to reaching the level of competency required to do a job well will depend on the particular apprentice and employer, and we know that employers and apprentices vary a great deal. What works best will also change over time, potentially quite radically, for example through technological innovation. This means that two different individuals doing the same apprenticeship could take quite different paths in getting to the outcome, but as long as they both get to the desired outcome, we should be relaxed about these differences.

A focus on outcomes is also vital because we want to actively encourage and enable far greater diversity and innovation in the way apprenticeships are delivered. The structure of current qualifications often constrains innovation – whereas we should positively encourage training organisations and employers to develop new and better ways to get their apprentices to the desired outcome.

Finally, we know that success in an individual qualification or component of an apprenticeship does not always guarantee competence in actually doing the job. Employers tell me that individuals could tick off the many tasks involved but not, at the end, be genuinely employable and fully competent.

Therefore, I believe that we should clearly define standards, put in place incentives to meet those standards, and allow significant freedom and flexibility for those responsible for getting an apprentice to the standard. This is how we approach learning to drive. We test whether a learner can drive to the agreed standard, not on how they went about learning to drive. We do not take into account whether they taught themselves to drive, had an intensive course or spent five years taking driving lessons. We focus on whether they can drive at the end. And it is this which makes passing a driving test a transferable qualification, trusted and recognised. The same is true for apprenticeships. We should care about whether an apprentice can do the job well, across the sector, at the end of their apprenticeship and, while the

approach to training and learning is very important, it should be for employers and learners to determine, not Government.

### **Employers and their representatives should design and develop apprenticeship qualifications**

I believe that, for each category of occupation, there should be a standard that clearly describes the level of skill and competency required to do the job well and to operate confidently in the sector. The standard should form the basis of a qualification that affirms someone's competency in a given job, having completed an apprenticeship. The new qualifications should, wherever possible, be, involve or lead to professional registration, which for some sectors and professions have been ensuring quality outcomes for many years. They should clearly link to any recognised certification within the sector – rather than being separate from or falling too short of these.<sup>17</sup>

To be meaningful and high quality, the qualification must reflect the needs of the industry and the real jobs within it. This means that individual employers, employer partnerships or other organisations with the relevant expertise will be best placed to define what the standard for the qualification is.

This reflects what current practice is, in some industries: there may be a 'standard' or framework which has been formally designed by the SSC, but in practice all employers looking to recruit within that sector target individuals trained by a particular employer, who is known to set high standards and train well. These employers are effectively setting the standard for their industry, because other employers within that sector are recognising and valuing the standards they are training towards. This is something we should capture and mainstream. Government should do this by setting up a contest, encouraging those organisations with the relevant expertise to define what they think a good qualification looks like within their sector.

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<sup>17</sup> For example, future apprenticeship standards could be directly based on professional registration for technicians in science, engineering and technology related (SET) sectors, which are currently being developed with support of the Gatsby Foundation: <http://www.gatsby.org.uk/techreg>

## **There should be a limited number of qualifications**

Today, there are many almost identical qualifications covering similar skills and applicable to many different jobs, which diminishes their currency with employers. The qualifications system itself and the number of different awarding bodies are both expensive and complex. The NAO estimates that an individual college spends between £62,000 and £460,000 per year on dealing with awarding organisations, and providing the required data in the required format.<sup>18</sup>

This needs to be radically reformed. For each category of occupation associated with an apprenticeship, there should be just one clear and credible qualification that describes the level of skill and competency required to do the job well and to operate confidently in the sector. The qualification should affirm someone’s competency in a given job, having completed an apprenticeship.

Having just one qualification per occupation is important. Unlike other markets, where competition - and the choice it brings - can deliver many benefits for consumers, I do not believe that this is the case for qualifications in apprenticeships. A proliferation of qualifications can confuse and undermine the clarity and strength of the signal a successful apprentice should be able to give to future employers. There is also the risk that competition amongst different qualifications leads to a “race to the bottom”, with Awarding Organisations competing to offer qualifications that are easier to deliver and easier to pass.<sup>19</sup>

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<sup>18</sup> “There is no coordination of systems between the bodies that award qualifications, which creates duplication of work. Over 170 awarding organisations exist. These organisations often use different systems to collect student data and different reference numbers to the funding bodies. Colleges have to transfer information between these organisations and the funding agencies, which can be costly”. See: NAO review on Reducing bureaucracy in further education in England, 2011.

[http://www.nao.org.uk/publications/1012/reducing\\_bureaucracy\\_in\\_fe.aspx](http://www.nao.org.uk/publications/1012/reducing_bureaucracy_in_fe.aspx)

<sup>19</sup> The Department for Education (DfE) reached similar conclusions in their reform of key stage 4 qualifications. The proposed new qualifications (‘English Baccalaureate Certificates’ or EBCs) will be offered by a single Awarding Organisation in each subject, to be identified through a competition. See:

While I believe that the new apprenticeship qualification should be a single qualification per apprenticeship, not a package of qualifications as currently, in cases where employers involved in designing the successful apprenticeship qualification are confident that *existing* qualifications are well-suited for the needs of their sector, they should have the scope to encompass these within their new apprenticeship qualification.

As well as limiting the number of qualifications per job, we also consider that the overall number of qualifications should be limited, so that not every single distinct job has its own qualification. This is because the standard that the qualification is based on needs to be sufficiently broad that reaching it means you are competent across different firms and situations. Limiting the overall number of qualifications will maximise their currency and transferability. Finally, it is important that each qualification relates to a real specific job, not a set of generic skills as can be the case in some popular apprenticeships today.

I also believe that the current approach to apprenticeship 'levels' is inefficient and can short-change learners. Today, it is standard practice for many apprentices to complete a full level 2 qualification and then a full level 3 qualification in order to become competent in their job, often reporting considerable duplication between the two (and poor value for money as a result). Providers face a financial incentive to get all learners to do a full level 2 first, even if they would be better suited to a level 3 framework. In future, an individual should work towards the apprenticeship qualification which reflects the job they are training for, not several distinct qualifications. However I note that the time it takes them to get there or the distance they must travel may vary considerably, and funding will need to reflect this.

A Level 2 qualification is acceptable if it reflects a real job, and one which requires a substantial level of training, but not solely as a stepping stone to a

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<http://media.education.gov.uk/assets/files/pdf/r/reforming%20key%20stage%204%20qualifications%20-%20consultation%20document.pdf>

Level 3. Where there is a good case for having multiple levels within a single occupation, it is essential that there is no duplication between these.

Labelling apprenticeship qualifications according to 'levels' can be useful, aiding transferability and progression outside of the sector. But it is important that levels should not drive the process. The skill level of the standard and qualification should be driven by what is required to do a real and specific job well, not by a desire to fit with level definitions – or because we 'need a Level 3 framework in this sector'.

### **There should be one test encompassing all relevant competencies**

The apprenticeship qualification must set out the approach to assessing whether an apprentice has met the standard. It must describe how to accurately and reliably determine whether an individual is capable of doing their job, doing this job in a range of circumstances including unfamiliar ones, and operating confidently beyond their immediate job role. Testing and accreditation is important for making sure that the apprentice can signal their skills in the labour market. But testing is particularly important in the model of apprenticeships that I am proposing, where we are flexible about the content and curricula but rigorous on the outcome: the test is the mechanism by which we incentivise employers and training organisations to invest in the right type of training.

The exact nature of the test will vary, reflecting the range of skills that are needed for the job. In most cases, the skills required to do a job well will be multifaceted, and the test will need to be diverse and wide ranging in order to reflect this. It will need to be primarily practical and involve directly observing whether the apprentice can do their job well, in different and novel circumstances. The apprentices could be asked to produce and submit a final project, which could involve producing or delivering something related to their job. The project could also assess theoretical understanding and knowledge,

if required by the industry. And it could also involve demonstrating softer skills, such as presentation skills or team working.

For example, a numerical control machine operator might be given an assignment which involves setting up a machine; changing the tooling; loading the correct computer control programme and resolving a machine malfunction. Or a digital media specialist might be tasked with a project, which includes deconstructing a webpage, looking for errors, optimising the search engine and communicating relevant technical information to someone who is non-technical. The projects should not simply determine whether the apprentice can successfully complete a series of tasks. They should also demonstrate whether the apprentice can apply their knowledge and competence to deliver desirable outcomes.

### **The test should be at the end**

I believe that the external test and validation should happen at *the end*. It could take place over a series of days or weeks. But it should happen at the end. This is how best to incentivise apprentices to get the skills needed to do their jobs well. The evidence of the impact on modular exams on student performance is inconclusive.<sup>20</sup> However, I do not believe that it is in the interest of the apprentice to have on-going tests and exams throughout, with accreditation of small bite-sized chunks. This takes the focus away from genuine learning.

That is not to say that progress cannot be monitored and achievements cannot be acknowledged and recorded throughout the apprenticeship. In many cases, this will be best practice. It will allow them to monitor performance and progress and adapt their approaches accordingly. Also, while it is important that the apprenticeship delivers one single qualification at

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<sup>20</sup> See for example studies by Ofqual (<http://www2.ofqual.gov.uk/downloads/category/136-other-research?download=1365%3Aeffects-of-unitisation-in-2009-gcse-assessments>) and Cambridge Assessment ([http://www.cambridgeassessment.org.uk/ca/digitalAssets/186732\\_CVR\\_RN\\_Effects\\_of\\_modularisation\\_-\\_Final\\_Report.pdf](http://www.cambridgeassessment.org.uk/ca/digitalAssets/186732_CVR_RN_Effects_of_modularisation_-_Final_Report.pdf))

the end, we recognise that, in getting to that end point, it might be appropriate *in some cases* for apprentices to acquire other qualifications. But, as with a university degree the qualification should be awarded at the end and intermediate qualifications and tests should not be seen as valid end points for apprentices.

Many countries take a similar approach to assessment. In Germany, for example, the assessment is at the end and includes a final examination in the vocational school and an oral examination and practical test in the workplace. In Switzerland, assessment also takes place at the end and lasts a period of time (around 10 days).

### **Differences in ability and accomplishments should be acknowledged**

The apprenticeship test should be challenging. The apprentice will need to acquire and demonstrate substantial and wide ranging skills in order to pass. Like any other test that leads to a respected and well recognised qualification, there will be some apprentices that do not pass first time. I believe it should be possible for the apprentice to re-sit the exam as many times as they like. But the number of attempts the apprentice has at passing the exam should be transparent so that future employers know and can take this into account. Also, similar to a University degree, I believe that the test at the end of an apprenticeship should be graded. Prospective employers should be able to use the grade in the test as evidence of the apprentice's ability and potential. This will maximise the usefulness of the apprenticeship 'qualification' in the labour market. This is what happens in other countries. For example, in Switzerland, the apprentice has to get a least 4 in a 1-6 grading system with 6 as top. This helps companies identify leading edge talent.

## Pre-requisites to sitting the final test

There should be some pre-requisites to sitting the final test. First, the apprentice should have acquired the agreed levels of maths and English. We consider this further in chapter 5 on Delivering apprenticeship training.

Also, before undertaking their final assessment, the apprentice's employer/s should also sign-off that they have employed them for X period and overseen their training, and that they are confident that they are ready to do the job.

Reflecting our belief that the individual employer should be central to the full apprenticeship journey, the apprentice's own employer has an important role to play in deeming them ready for completion; their support is necessary but not sufficient verification of their capability.

I recognise that it is not always practical or possible to capture everything in a test – no matter how broad or wide ranging. In some occupations, it might be important for the apprentice to gain specific amounts and types of work experience before they qualify. This is what currently happens with dental technicians and accountants. Therefore, in some cases, it may be appropriate for the qualification to involve acquiring specific experience in addition to passing the test. Those designing qualifications should assess the merits of requiring their apprentices to gain specific experience prior to their final assessment, based on the specific needs of their particular sector. But in determining which proposed apprenticeship qualification to approve in the competition, the Government should test carefully whether any such additional requirements are necessary and seen as such by employers within that sector, so as to avoid, wherever possible, additional requirements which risk reducing flexibility, reducing the focus on outcomes, and introducing additional bureaucracy into the process.

Finally, I believe that the test should be open to anyone, not just apprentices. Individuals should be able to sit the test where they want to get their existing skills accredited, and those participating in other relevant training programmes

(including non Government funded apprenticeships), should be able to sit the test and signal that they have met the standard.

### Selecting the preferred qualification

There are three groups that benefit from apprenticeships: employers; apprentices and society overall. Each of these beneficiaries should have a voice in determining what the qualification looks like. Government should set out clear criteria for judging the preferred qualification in each contest which represents the needs of each of these three groups.

One important criterion is that the qualification must be recognised and valued by *most* employers, not just those directly involved in developing the qualification. This is because the qualification must promote skills that go beyond those required to do a specific job in a particular firm. Whilst, in practice, it may at times be challenging to demonstrate this at the outset, if the qualification is new for example, those involved must be able to demonstrate significant backing for their qualification from a cross-section of employers. This will ensure that the skills and training needed to acquire the qualification are sufficiently general and relevant across the industry.

Particular regard should be given to small employers. The qualification must work for them too, and successful qualifications will need to show they have buy-in from smaller firms, as well as larger firms, in their sector, and can be delivered within small firms and small workplaces as well as large. The stronger the employer support for a particular qualification, the more likely that (all else equal) the qualification will be selected as the benchmark for that category of occupation.

However, widespread support amongst employers is not enough. The apprenticeship qualification must enable the learner to grow beyond their current role. It must encompass transferable skills and be sufficiently broad and stretching, going beyond employer's direct needs. It must evidently require substantial training, significantly beyond what an employer would be

expected to typically provide to all their new employees. These aspects should be set out in the Government criteria. Government may need to consult with educational experts and those who represent the voice of the learner, such as trade unions, to ensure that the qualification is delivering maximum value for society.

In summary, the criteria for a good qualification might specify that the qualification should:

- have widespread buy-in from employers from across the sector;
- have buy-in from smaller firms within the sector, and can be delivered in a small firm;
- require substantial training and a significant level of skill (this might depend on the sector and occupation, but I expect that in a majority of cases this should be at level 3 or above, using today's terminology);
- include transferable skills that are relevant and valuable outside a narrow group of occupations – i.e., not limited to training for a narrow job role;
- reflect a real job, not generic skills, and would qualify someone to do a real specific job;
- meet the standards for professional registration in sectors where they exist and are well-recognised.

There might be other relevant criteria. What is key is that the criteria incentivise the qualification developers to compete on quality as well as employer buy-in. Therefore, the contest should be designed in such a way that the ambition, breadth and level of skill – as well as employer buy-in – are important considerations in the selection of the preferred qualification.

Government should explore the best way of running the contest for the qualification. There will be multiple criteria for assessing the preferred qualification, which can be weighted in different ways. It will be vital to design the process in a way which is transparent and trusted and which minimises

any risks of politicisation. Independent external oversight of some form may be necessary to achieve this.

There are different models and processes for selecting the preferred qualification. For example, the Government could set up and facilitate a panel, with representatives from industry, trade unions and further education to assess which are the best standards, according to Government criteria. This could have some similarities with model used in Scotland to approve new and revised Modern Apprenticeship frameworks. This is done by the Modern Apprenticeship Group, which brings together partners from Government Departments, employer representative bodies, trade unions and other organisations to review frameworks.

Alternatively, the Government could take a more arms-length approach. This could be more similar to the approach the Technology Strategy Board takes in running competitions for innovation programmes where, although the criteria are set by government, individuals who assess the bids are independent experts.

Either way it will be important that Government retains close oversight of the process and criteria against which qualifications are approved; quality assuring apprenticeship qualifications will be vital to ensuring the quality and value for money of the whole programme – therefore while Government may rightly give up control over many other aspects of apprenticeships, such as significantly reducing prescription and regulation of delivery, this is the one aspect it should retain close direct oversight of.

There must be regular competitions for the ‘best’ qualification. For example, they should take place every 5 years, but possibly more often in particularly dynamic sectors. It might also be possible for the winners to refresh the qualification during the interim period, where the case for change is strong. However, in setting timescales and allowing qualifications to be refreshed, Government should take into account the trade-off between stability on the

one hand and ensuring the qualification is as up-to-date and as high quality as possible on the other hand.

### **Incentivising employers to come forward**

Many employers that commented during the review would welcome the opportunity to more directly shape what apprenticeships will deliver for them. This should be reinforced by making Government funding of apprenticeships conditional on there being suitable qualifications approved within that sector (see chapter 6 on funding).

In some cases, it may be appropriate to allow the chosen qualification to carry the brand of those employers involved in its development, where this supports commitment to and adoption of the standard. The Government should also consider making a payment to support the development of the preferred qualification as an additional enabler or incentive. However, we recognise that this might not be enough - it might take longer in some sectors or occupations for qualifications to get agreed and accepted by the sector. There might be a role for Government to help facilitate and coordinate employers to come together to develop the right qualification and to provide support and advice, where appropriate. Or there might be a case, for a transitory period only, to task the SSC to work up the qualification providing they can demonstrate sufficient employer buy in and that it met the criteria.

### **Apprentices must achieve a good level of maths and English**

Maths and English are essential to supporting longer term career prospects of learners. The value of these skills is broader than those required for a particular occupation or role within an industry and they should be considered separately to the industry defined qualification. We consider that all apprentices should reach a good 'level 2' in maths and English *at a minimum*. This should be a pre-requisite to sitting the test to achieve the apprenticeship qualification.

The same principles which we apply to apprenticeships qualifications should apply to English and maths taught within apprenticeships – the value of a qualification is closely associated with the extent to which it is trusted and recognised, and being able to choose between many different competing qualifications can reduce the value, with Awarding Organisations competing to offer qualifications that are easier to pass. Therefore, while there are many different and creative ways in which English and maths can and should be taught, and there should be plenty of scope to tailor the teaching of these subjects to individual work contexts, there should not be wide choice over the qualification itself. Only one or a small number of English and maths qualifications at Level 2 should be offered in apprenticeships.

It is very important that the English and maths qualifications used within apprenticeships are, in large part, functional – recognising the capacity to apply these skills rather than simply learn them in the abstract. Through successive CBI Skills Surveys, employers have emphasised that they want staff who can use English and maths skills independently to deal with real-life tasks and solve problems, and who can select for themselves which techniques and approaches to apply in each case. This means, for example, not just accurately doing equations but knowing how to use those equations to solve a particular practical problem, or not just writing a document accurately, but also knowing the most appropriate way of communicating information in different contexts.

This functionality will be vital not simply to encourage and support those learners who have not previously been successful in acquiring these skills within an academic environment, but also to maximise the value and impact of their learning and ensure it is an integrated aspect of their apprenticeship. Ideally, the qualifications selected as the English Baccalaureate Certificate (EBC) in these subjects should be sufficiently functional in approach to be suitable for an apprenticeship context as well as a school-based learning environment. If this is not possible, then Government should select one or a small number of functional qualifications of equal quality and stringency to the

EBC for use within apprenticeships, perhaps through a similar competitive process as now underway for the EBCs.

## Consequences of the proposed approach to defining apprenticeship outcomes

### Risks and mitigation

I recognise that there are some risks associated with the new model of apprenticeships. First, there is a risk that, in some sectors, employers will not come forward to propose a qualification or that employers within a given sector cannot reach an agreement. Government will need to create the right incentives for this, for example by offering a payment to the winners and putting their brand on the qualification. But Government may need to go further in some sectors, by helping to facilitate and coordinate collaboration amongst employers or by tasking employer-led bodies to do this.

Also, there are risks, as well as benefits, associated with having a more stretching apprenticeship programme which is harder to pass. For example, while higher standards will lead to a more skilled workforce and higher value for money for taxpayers, there may be some employers and learners who currently engage today that may decide to opt out in future, because apprenticeships become more demanding than they are today. We must make sure that, where apprenticeships deliver value, those employers and learners stay engaged. We can do this by creating a better, as well as more ambitious, system – with standards that are high but, above all, credible and valuable to employers.

In implementing these fundamental changes to the structure and design of apprenticeships there is a risk that existing good quality provision gets disrupted, or that employers who are currently delivering high quality apprenticeships or who are currently satisfied with the qualifications that they use, are frustrated at having to change something which they do not see as 'broken'. In ensuring that the reforms outlined here are genuinely employer-

led, sufficient scope must be allowed in their implementation so that good quality provision is maintained and any changes to it are introduced gradually and with employer-backing.

There may be risks associated with reducing the option of apprentices undertaking multiple levels of qualifications in order to train for a single job role. In particular, employers may be put off taking on apprentices that have furthest and to go and are highest risk if they know they have to ultimately reach the agreed standard for the job, rather than some intermediate level. Government should consider how to ensure that its approach to funding reflects the greater distance some individuals, particularly younger apprentices, have to travel, and reflects the greater uncertainty and risk associated with them (see chapter 6). This risk also reinforces the case for having a new traineeship programme to help prospective candidates prepare for entry into apprenticeships (see chapter 2).

My view that all apprentices must achieve Level 2 in maths and English is ambitious. Recent data shows that, of those people participating in apprenticeships during 2010/11 a significant proportion did not already have a L2 (at least Grade C GCSE equivalent in either English or maths) and would therefore need to study and pass these to successfully compete their apprenticeship under our proposed approach. Although this did vary by the age of apprentice and level of Apprenticeship that they were on, even on the advanced apprenticeships almost 4 in 10 did not have maths or English at the level I am proposing.<sup>21</sup>

There is therefore a risk that in insisting on Level 2 in maths and English, some learners and employers will be deterred from the apprenticeship programme and some employers or providers will ‘cherry pick’ those learners who already have Level 2. We must make sure that training in maths and

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<sup>21</sup> Apprentices in 2010/11 by GCSE English & maths Attainment, (source: DfE Matched Administrative Data, 19 in 2012/13/14 Cohorts) and for adults 2012 Prior Qualifications Survey – forthcoming BIS publication.

English continue to be free and easily available (see chapter 6). We must also make sure that we deliver maths and English to apprentices in the right way. This means making it applied and relevant to the world of work (see chapter 5). Finally, we should also consider the impact on those with Learning Difficulties and Disabilities and ensure that we do not impact negatively on these groups.

### **Impact on existing organisations**

The proposed approach to developing the new apprenticeship qualifications could significantly change the role of SSCs and of Awarding Organisations in relation to apprenticeships. They would no longer be the sole setter of standards and qualifications. This role will be primarily led by employers directly. There could be scope for SSCs to play an important role in supporting apprenticeships – for example, by helping to facilitate and coordinate collaboration amongst employers – however, the nature and extent of any role will depend on the SSC and will cease to be automatic.

The role of Awarding Organisations could change even more considerably. The apprenticeship frameworks, and the myriad of qualifications associated with them, will be replaced with a single qualification. In general, we would expect the qualification to be defined by employers and their representatives, not Awarding Organisations. However, where the successful standard setter specifies that existing qualifications are required for their sector, then Awarding Organisations will continue to set and accredit those qualifications, as they do today. Awarding Organisations might also have a role to play in ongoing assessment and accreditation, where appropriate. We consider this in chapter 4.

Having a system that is geared towards meeting a standard at the end, with far greater flexibility in the approach to getting to the standard, will have consequences for training organisations. Their focus will switch from assessing and monitoring competence throughout the apprenticeship, to delivering training and mentoring that supports the apprentice in getting to the

standard. There will be no prescribed approach for this. Training organisations will be able to innovate and offer training packages that are best suited to getting the individual apprentice to the required standard. Also, a higher quality, more stretching programme, with a higher proportion of level 3s and above, and removal of lower skilled, generic frameworks, will impact the nature and quality of training that training organisations will need to deliver.

## 4. Testing and accreditation

This chapter sets out the process that exists today for testing and accrediting apprentices. I set out how the assessment is conducted and by whom, and on what basis apprenticeship certificates are awarded. I then highlight some of the feedback I have had from stakeholders about the current assessment process. Then, the rest of the chapter, I set out how apprenticeships should be tested and accredited in future, including the principles that I believe must underpin the approach to quality assurance. These principles are fundamental to making sure that our apprenticeship qualifications are valued and respected.

### Overview

There needs to be a robust means of testing whether the apprentice has reached the desired level of competency. Continuous and time consuming assessment, driven by paper tests and assessors with a vested interest in learners passing the test, demeans the accomplishment.

The test must demonstrate that the apprentice can take the knowledge and expertise they have gained and apply it in a real world context to a new, novel problem. It is the successful application of their capability that truly tests the apprentice. That may take the form of a project or an assessment in front of an examiner. It means being tested by neutral parties with no interest in the outcome. It means the testers must be drawn from the ranks of employers as well as educators.

And it means the official awarding of a degree, a diploma, a certificate or a qualification, call it what you like, that signals to the world that this person has accomplished something real and meaningful.

**In summary, I recommend that:**

- Organisations with the right vocational expertise are given responsibility for assessment. They should make sure the assessment consistently tests apprentices to the standard specified in the qualification. Where possible, oversight and delivery of assessment is done in collaboration with the apprenticeship qualification designers.
- Assessors are entirely independent and have no incentive or disincentive related to the outcome of the assessment. They include employers as well as educators.
- Government, a Government body or regulator approves and oversees the assessment process, or the organisations in charge of that process, in a light touch way.

## The system today

In the current system there are two separate aspects to testing the apprentice:

- The **competency elements** are assessed either in a provider or work setting by a qualified assessor, through both 'seeing' the skill in action, reviewing evidence of work which is collected on a regular basis as part of a candidate's normal working routine, and testing through written or verbal questions.
- The **technical knowledge element** is more usually assessed through written or multiple choice exams.

The apprenticeship is not assessed as a whole; each individual qualification is completed and assessed individually. Awarding Organisations are responsible for creating the qualifications that form part of the framework, and overseeing their assessment. They are responsible for quality assuring assessment undertaken by training providers, to ensure it meets the standards set out in the qualification – this is typically done through

periodically sampling paperwork or occasional visits to providers and is done on a risk proportionate basis.

OfQual has a role in assessing the robustness of the qualifications that form part of apprenticeship frameworks. The main way that it regulates is by setting the standards and rules that awarding organisations need to meet when they design, deliver and award regulated qualifications. It monitors awarding organisations and qualifications to make sure those standards are maintained, using a risk-based approach.

Qualified assessors are usually individuals who need to have relevant and recent industry experience, at or above the level they are planning to assess for. However it is rare that employers themselves are involved in the assessments, either for their own staff or for other employers.<sup>22</sup>

Completing an apprenticeship successfully requires that the entire framework contents have been met. The final awarding of the Apprenticeship in full is done through a centralised online process for issuing certificates of completion, the Apprenticeship Certificates England (ACE) system. This system allows apprentices, or learning providers and employers acting on their behalf, to apply for their Apprenticeship certificate, subject to receiving evidence that all of the framework contents have been met.

## Views from stakeholders

- *“After successful completion apprentices should expect to be fully competent to undertake the job role for which they have been apprenticed and hold industry-recognised qualifications to evidence that.” (Association of Accounting Technicians)*

<sup>22</sup> According to a recent survey, only 1 per cent of employers are involved in assessing apprentices currently. See: Evaluation of Apprenticeships: employers IFF and IER – BIS Research Paper Number 77 (2012) at <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/e/12-813-evaluation-of-apprenticeships-employers>

- *“Accreditation of qualifications e.g. NVQs has been too focussed on gathering evidence of competencies rather than gaining relevant skills”* **(Crafts Council)**
- *“Good providers have ‘graduate’ ceremonies where apprentices receive their certificates of achievement”.* **(TUC)**

There were a number of responses that pointed out that the current qualification system is overly complicated, and that the apprenticeship system prioritises successful attainment of different constituent qualifications over an employer’s confirmation that the apprentice is fully competent in his or her job role. A number wanted to see greater emphasis given to the final position rather than a collection of separate individual qualifications that some felt were not widely recognised or valued by employers. They argued that a single apprenticeship qualification would lead to greater clarity and increased value for money especially if awarded through a final assessment, which demonstrated the application of learning to the job role and industry standard.<sup>23</sup>

However, OfQual raised concerns that a large programme with a single endpoint assessment would be seen as high risk and could potentially have a negative impact on learner achievement. Others argued however, that the flexible and modular approach which allowed learners to gain credit as they went protected them if they moved from job to job or even in and out of employment, was optimal for the individual. The Federation of Awarding Bodies for example felt that individual qualifications provided a worthwhile outcome in their own right for apprentices, and that gaining the qualification may be sufficient to help them to progress into other training or into the workplace, even where they have not completed their apprenticeship.

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<sup>23</sup> UKCES proposed that: ‘Some sectors may choose to include existing qualifications as part of the outcomes of an apprenticeship. However, the focus would be on achieving the apprenticeship outcomes as a whole as a result of taking the programme rather than achieving a lot of separate individual qualifications. This would reduce the cost and complexity of all the separate qualification arrangements.’

Stakeholders were in favour of using a mixed group of assessors, involving employers, their peers, and relevant professionals. Employers and employer-bodies were very clear that the employer should have a direct role in the assessment process, providing this could be done in a simple, non-bureaucratic way. It was also recognised that not all employers would have the capacity, skills or desire to undertake this role, at least in the short term. There was therefore a view that professional assessors and verifiers, who currently play an integral part in the apprenticeship system, should still have a role to play in the future apprenticeship system, to provide external accountability and to support employers.

Some argued that the assessment process should have a grading system. For example, Demos commented that apprenticeships should be stretching and graded, not just pass or fail, as this fits with the way young people learn and display their skills and knowledge. Pearson's said that, where the apprentice is performing particularly well, they should be properly recognized in a similar way to other courses, to motivate apprentices and provide a benchmark for employers.

On awarding the Apprenticeship, a significant number of responses commented on the importance of a point in time where the apprentice and employer could both agree that they were 'fully fledged'. The TUC commented on the value of graduation ceremonies, where the apprentices receive their certificates of achievement, which confer status on the successful apprentice – rather as a graduation ceremony from university is celebrated. Some stakeholders mentioned the work on a 'graduation ceremony' now being piloted by the NAS, with the backing of the Duke of York.

## The future approach

As set out above, robust recognised qualifications and trusted independent assessment are inextricably linked, and together form the core of my vision of apprenticeships. Overhauling assessment is critical to building an apprenticeship programme which focuses on outcomes, allows flexibility over the process, and above all delivers the intended outcomes for learners – that they are competent in jobs they have been hired to do, but also beyond this, attractive to future employers, and well-placed to progress.

Currently, continuous assessment dominates many apprenticeships, at the expense in some cases of adequate time spent training. Assessment focuses heavily on providing paper-based evidence that an individual has done a detailed list of tasks or demonstrated detailed competencies. And assessment today is conducted by the same people who provide the training, who have a strong interest in the individual passing, with often fairly minimal oversight and quality assurance by the relevant awarding organisation. A qualification is only as useful as the confidence it merits – if an employer, in the case of apprenticeships, cannot be fully confident that having a qualification provides genuine, reliable, independent evidence of an individual's ability, then it is almost worthless. So ensuring trust in the assessment process – in its ability to effectively, accurately and reliably distinguish between individuals and provide a record of their capability – is essential to the success of any future apprenticeship programme.

### Designing and quality assuring the assessment process

The apprenticeship qualification will describe the standard required for an occupation and how the apprentice must demonstrate it has met the standard. This will need to be translated into an assessment process, which accurately and consistently identifies whether the standard has been met, as originally specified in the qualification. Specifically, this will need to include:

- Devising practical assessments, projects and assignments, or written exam papers, to test different aspects of the standard;
- Developing clear and unambiguous criteria against which the attainment of apprentices can be accurately and consistently differentiated;
- Putting in place effective arrangements to ensure that the criteria against which learners' performance will be differentiated are understood by assessors and accurately and consistently applied;
- Promoting consistency in measuring the levels of attainment of learners over time.

These functions will be critical to maintaining the quality and relevance of the apprenticeship qualification. They will require an organisation with the right expertise and resources.

The qualification designer will be well placed to ensure that the assessment process stays true to the original specification of the qualification. They have a strong interest in ensuring their standard is being upheld and are best placed to judge whether the assessment process is in practice consistently measuring the standard that they have defined.

However, I do not believe we should impose this responsibility on the qualification designer. We want to encourage employers, individually or in collaboration with other employers or representative bodies, to participate in developing the new apprenticeship qualifications. Running, or even just overseeing, the assessment process will be a large, on-going task, which will require significant commitment, expertise and resources. If we impose this responsibility on the qualification designer, many employers would, legitimately, be discouraged from coming forward. It is right and efficient that employers dedicate their efforts and resources to running their businesses, not to running apprenticeships.

Therefore, I believe that, while we should leave open the possibility that the qualification designer takes an active role in designing and quality assuring the assessment process, we should not enforce this.

It is possible that employer-led bodies - such as existing professional and trade associations, sector bodies, or potentially SSCs - could, where appropriate, take on the role of designing and quality assuring assessment. These bodies represent their sector or profession, and therefore, so long as perverse incentives can be avoided, it should be in their interest to maintain standards and promote quality so as to ensure their sector is equipped with the skills and people it needs. They would act as guardians of the standard, making sure that the approach to testing within their sector is rigorous and stretching, on an on-going basis.

## **Box 2: Employer-led bodies**

Genuinely employer-led bodies will be well placed to help run or support aspects of the apprenticeship programme. Employer-led bodies could be existing organisations, like Sector Skills Councils or trade and professional associations. Or they could be new collaborations amongst employers, set up by employers to address specific needs for the sector, through apprenticeships or other forms of training. Where possible they should build on, and not duplicate, the existing infrastructure in the sector.

The nature and scope of the body must be determined by employers themselves if they are to be truly effective. And, there is no need for a one size fits all model - rather, the role, shape and structure of employer-led bodies may vary according to the sector needs, as determined by employers. Finally, if these bodies are going to support and deliver the skills that employers need, on their behalf, it is important that employers own them directly: employers should fund them, at least in part, as well as offer direct and visible leadership for them.

UKCES propose that 'industry partnerships' could be formed as future employer-led bodies, which deliver apprenticeships, amongst other activities. They suggest these could be selected through a competitive exercise and they would be funded through employer membership fees, quality assurance, certification and any wider services, as determined by the sector.

Another option would be for Awarding Organisations to take on this role – working with the qualification designer and/or employer-led bodies, to translate the original specification of the qualification into an assessment process. This is, in the case of some qualifications, what happens today. However, I believe this will only work if Awarding Organisations work closely with employers and their representatives, and employers or employer bodies stay in the lead, perhaps contracting out these specialist functions to Awarding Organisations, given their expertise, but retaining control and accountability. This is necessary for ensuring that the assessment continues to drive standards and outcomes that are relevant to employers.

In summary, getting the assessment process right will be critical to delivering outcomes that are relevant to employers and support the apprentice in their career progression. There are a number of different models for delivering assessment and Government should consider what will work best. What matters is that the original specification of the apprenticeship qualification is maintained in the assessment process, and that any perverse incentives to drive standards down are identified and guarded against.

I believe that this means that employers, or their representatives, need to have some involvement in the process of designing and quality assuring assessment. Where possible, the qualification designer should be directly involved. However, there might be a case for having a mixed approach to

assessment delivery, which varies by sector, reflecting their specific needs, capacities, and institutional landscapes.

### **The assessors**

Assessors must be entirely independent. They should have no incentive or disincentive related to the outcome of the assessment. This is particularly important given that Government funding will be partly conditional on the outcome of the test (see chapter 6).

Those involved in marking and assessing whether an apprentice has met the standard will need to have the right expertise. I believe that, for each test, there should be someone present from both industry and from the vocational training sector. Industry representatives should include current employers from within the sector – much as doctors assess junior doctors and medical students. Real, current employers are best placed to judge whether someone is genuinely employable and whether their skills are current, relevant, and suitable for the needs of a real workplace. They would sit alongside relevant experts from colleges or other training institutions and, together would assess whether the apprentice meets the standard.

This is not dissimilar to the approach taken in other European countries. For example, in both German and Switzerland, employers from other companies are involved in the assessment of performance.

### **Administration and coordination of assessment process**

In addition to devising and marking assessments, exams and assignments, the assessment process will involve a large administrative task. This will include, amongst other activities:

- Registering candidates and checking their eligibility;
- Maintaining a list of suitable assessors;
- Arranging and communicating test locations and times;
- Invigilating exams;

- Communicating results to candidates and recording these in relevant databases;
- Issuing certificates

These functions will need to be delivered by an organisation with the right resources and administrative expertise. They do not need any specialist knowledge in relation to the qualification. But they will need to access and liaise with suitable assessors and others who will be involved in assessment – for example, the right employers. These tasks could be carried out by the same organisations that designs the assessment process (see above) – for example, by employer-led bodies or Awarding Organisations. But, potentially, they could also be outsourced to a separate administrative organisation.

### **Celebrating success**

An emphasis on marking the end-point of an apprenticeship should offer greater opportunities for apprentices to display and celebrate their achievements. Excellence should be celebrated – grading will help to enable this – and the assessment process itself should offer an apprentice a basis on which to demonstrate and persuade current and future employers of what they are capable of.

Apprentices should be issued with a certificate when they pass the test, demonstrating they have reached the standard. This certificate will act as a qualification, showing employers and others what the apprentice can do. By acting as a signal of ability to future employers, the qualification will enhance labour market mobility and support career progression.

I would support the expansion of activities to celebrate apprentices' 'graduation', and welcome the efforts of the Duke of York and others to promote these events, which can help to raise the profile and prestige of apprenticeships. Also, in sectors such as engineering, where professional registration confers post-nominal letters (e.g. J.Bloggs, EngTech), I expect

the linking of apprenticeship qualifications with registration standards will help raise the profile and prestige of apprenticeship completers.

### **Regulating the assessment and accreditation process**

Government also has a stake in making sure that the standard to which individuals are being assessed stays high and true to the original standard that they approved. There will be risks if apprenticeships are entirely self-governed by their relevant sector – not least, as can be the case today, that these bodies may face pressure to reduce standards, if in doing so they make it easier for employers in their sector to access public funding (because their apprentices more quickly and easily pass the test, or because particular provision becomes eligible for public funding, and so on).

But any regulation or oversight of whoever is running the assessment must be proportionate and targeted. For example, such a regulator could lightly monitor the ability of employer-led bodies to effectively assure quality of delivery and assessment, with clear and tough sanctions if they are seen to be allowing standards to be brought down. The approach will depend on who is in charge of assessment. For example, if sector specific employer-led bodies are running the assessment process, there could be a case for having an overarching body that monitors and supports them – perhaps a future role for the UKCES. This body could provide overall quality assurance – for example, by approving the individual employer-led bodies. They might play a similar role to that of the Quality Assurance Agency (QAA) in Higher Education.<sup>24</sup>

Alternatively, OfQual might be well placed to regulate and quality assure the new apprenticeship qualifications – as they currently do for qualifications that form part of apprenticeship frameworks today. OfQual regulates by

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<sup>24</sup> The Quality Assurance Agency for Higher Education safeguards standards of UK higher education and works to help universities and other providers improve the quality of the learning experience. They have processes for ensuring degree awarding powers and the right to be called a university is only granted to higher education providers with the academic standards and quality in place to offer degree level provision.

‘recognising’ awarding organisations and setting the standards they need to meet when they design, deliver and award regulated qualifications and monitoring them to make sure standards are maintained. However, since apprenticeship qualifications will be set by employers not awarding organisations (even though awarding organisations may have a role, as set out above); this will require OfQual to play a different role than it does today.

## **Consequences of the proposed approach to assessment**

Overhauling apprenticeship assessment offers a major opportunity to restore and improve confidence in apprenticeships, and therefore their currency with employers. Effective assessment should drive effective delivery, and maximise value for money.

But the proposed approach represents a significant implementation challenge – apprentices today are assessed by training providers; there is no current mechanism for independent assessment of apprentices nor any obvious vehicle for delivering this. One will need to be identified and developed over time. Employer-led bodies could have a key role to play here – but as stated, the role and capability of existing bodies varies considerably across sectors.

This new approach will pose challenges for apprentices, and those who train and support them, because it will be much more demanding for all parties. Whereas today, an apprentice who struggles to complete an individual component of a qualification can retake that task repeatedly until they pass it or receive considerable help from their provider, this new approach will provide a much more rigorous indication of their genuine capabilities. In time, these higher expectations should result in training organisations developing new and much more effective ways of developing the capabilities of those they teach, as they raise their game to meet these new demanding expectations. In the short term however, pass rates may well decline.

A standard is only as good as the way it is assessed. So the biggest challenge here is how to ensure that the standard, as set by employers and approved by Government, is maintained by those who assess it. There is a risk that standards get diluted, misinterpreted or misapplied, and so effective quality assurance of the assessment process is vital. A critical task of Government now will be to identify and implement the most effective mechanism for this – it must be ruthless and unrelenting in safeguarding the standard.

Finally, Government will need to ensure that the new apprenticeship qualifications are seen as credible and are respected beyond the relevant sector – particularly by other education institutions. They must support individuals who wish to progress onto other forms of education, including Higher Education, where appropriate. The Government will need to consider how best to support this.

## 5. Delivering training that meets the standard

This chapter describes how apprenticeships are delivered today. I describe who delivers apprenticeship training and how. Then, I highlight stakeholder issues and concerns with the current system and solutions they put forward for the future. I then describe a new model of apprenticeship delivery, where diversity and innovation is encouraged, prescription and restrictions on delivery are reduced, and a small number of key delivery requirements are introduced to safeguard quality.

### Overview

There are distinct features of delivery that are likely to impact on the quality of the learning experience and outcomes for the apprentice. In particular, off-site learning, typically involving a third-party training organisation, can add real value – it gives the apprentice safeguarded time off the job to ensure they can do substantial training; it provides a peer group of different apprentices and gives the apprentice a wider perspective.

We also know that apprenticeships must endure. There is real value in an apprenticeship lasting for a year or more. The apprenticeship experience itself requires time to bed in and for the learner to transform from an apprentice to a skilled worker. We should afford our apprentices that time.

Though I believe strongly that we must unleash the curricula, we feel equally strongly in our need to invest in building the capacity of our training institutions. This can best be done by insisting that, though we will not mandate how they train, we will determine who can train, whilst encouraging a broader and more diverse range of organisations to get involved in training apprentices. I believe that Government should develop a simple and light

touch way of approving the institutions, employers or people entitled to deliver apprenticeship training and that these decisions should be driven by whether this organisation is delivering good quality training, relevant to the needs to the employer in that sector.

**In summary, I recommend that:**

- The Government encourages flexibility and innovation in the delivery of apprenticeships. There should be no unnecessary process and prescription for *how* an apprentice reaches the desired outcome.
- Government helps promote good practice. In particular, all apprenticeships should involve some off-site learning and last a minimum duration.
- Safeguards are put in place to protect apprentices and employers against poor quality provision. Government ensures that an effective, light touch approval process exists that confirms training organisations are providing good quality, relevant training for the sector.

## The system today

Delivery of the current Apprenticeship programme is led by two key organisations: the National Apprenticeship Service (NAS) who manage the overall programme and the Skills Funding Agency (SFA) who manages the funding of apprenticeships and approve the training organisations to deliver apprenticeship training.

Training organisations - that is, General FE Colleges, other public, private and charitable training providers - need to be first approved by the SFA to go on to the Register of Training Organisations. This approval focuses primarily on the financial health and standing of the company, and where available also takes available quality indicators into consideration. It consists of two elements: submission of financial statements and an online questionnaire, through an

automated web based service. Some large employers are also providers in their own right and therefore contract direct with the SFA.

Eligible training organisations can then be allocated funds for Apprenticeships. There is currently a minimum contract level, introduced in 2011/12, which meant that any individual training organisation had to be able to deliver in aggregate a contract value of £500,000. Widespread subcontracting to smaller providers also therefore occurs.

The SFA monitors provider performance, on the basis of a set of key performance indicators, and takes a risk-based approach; if areas of weakness are identified they work with the provider to address these. They can also take direct action including withdrawing funding where a provider falls below minimum performance standards. This is generally based on achieving qualification success rates. In this system, employers have limited (if any) direct engagement with contract management or assessing the performance of providers.

### **The profile of provision today**

There are currently a large number of diverse training organisations. Whilst new providers can and do enter the Apprenticeship provision market, the initial annual allocation of funding uses as its starting point the volume of training each training provider delivered the previous year.

Apprenticeships are initiated in a range of ways. Training providers can approach employers directly to offer training to their apprentices; this is frequently promoted as 'free', partly because local competitors will often make no charge to employers. Employers can be approached by the National Apprenticeship Service or may approach them, or the employer can simply contact a local training provider directly.

Learners seeking an Apprenticeship may contact a provider who then tries to match them with available vacancies; may apply directly to an employer; or

might use the online Apprenticeship Vacancy service to find a local opportunity in a relevant firm.

Group Training Associations (GTAs) are sometimes used as an alternative to training organisations. Initially GTAs typically involved small groups of firms in the same industry and based in the same local area, and were set up to address common difficulties in attracting and training young people. GTAs are funded through a membership fee.

Apprenticeship Training Agencies (ATAs) offer an alternative approach to the recruitment of apprentices. Generally, they are used by small employers who wish to use the services of an ATA to source, arrange and host their Apprenticeships. This could be for a number of reasons including them not being able to commit to the full framework, short term restrictions on employee numbers, or uncertainty about the value of an Apprenticeship.

### **Incentives in the current delivery system**

The incentives on training providers in the current system are to increase volumes of apprenticeships in as cost-effective a way as possible; and to increase 'success rates' – that is, the proportion of apprentices who pass their qualification within the expected time. In some cases, training providers are incentivised to deliver a limited number of relatively cheap and quick frameworks on a large scale. Also, they may be incentivised to put apprentices on level 2 first, even where they are ready for a level 3 apprenticeship. Or to target larger employers and existing employees rather than new recruits.

As the employers do not 'purchase' the training provision, some employers feel that they are only presented with a limited menu of options that are easily available, and have little perceived scope to negotiate anything additional despite, in principle, having access to a wide choice of frameworks. The apprenticeship training market concentrates on delivering a subset of the

large number of available frameworks in bulk. In 2010/11, 83 per cent of new apprenticeships starts were found in only 15 framework subjects.<sup>25</sup>

## Views from stakeholders

- *There is a need for greater employer involvement in the design and implementation of apprenticeship schemes, in order to ensure that the needs of their businesses are met.* (CIPD)
- *The best providers have vocationally experienced staff who are respected for their knowledge by learners and employers. Programmes are delivered in such a way that learners benefit from interacting with other apprentices and assessment uses a wide variety of evidence.* (Ofsted)

## Meeting the needs of employers

Stakeholders were critical of the current provider-led system, observing that some providers have a tendency to deliver frameworks that are “easy to deliver”, profitable and can attract large numbers, rather than delivering what industry wants or needs. Instead, stakeholders would prefer to see greater emphasis placed on the time spent learning and the time spent gaining experience.

## Alternative delivery models and support for firms

Some stakeholders suggested that Government should explore pooling responsibility for apprenticeships over a number of sectorally-related companies, with a lead sponsor for mentorship and pastoral support. Formal partnerships, such as Group Training Associations, were highlighted as

<sup>25</sup> BIS Statistical First Release – Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held at [http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr\\_current/](http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/)

operating effective delivery models, particularly in relation to small and medium sized enterprises.<sup>26</sup>

Other respondents commented on the need for a “single, high-profile, independent one-stop-shop advice service”. Some questioned whether this was the role of NAS and if it was, whether it was being done effectively. The Federation of Small Business’s survey of SMEs revealed that whilst almost half of manufacturers were using or had used NAS, a further 35 per cent said they had heard of it but decided against using its services<sup>27</sup>.

### **Building capacity and improving delivery**

As well as enabling employers to play a more direct role in apprenticeship training, respondents recognised that improving the capacity and diversity of third-party training organisations was also vital. Respondents suggested that training providers should be regularly rated by employers for their ability to work with employers and trade associations to provide appropriate training solutions, and that those that continue to fail should not be allowed to continue as providers of apprenticeship training

Apprentices that we spoke to emphasised the value they placed on having someone to mentor them through their experience. They also valued having a balance between off-site education to learn skills and on-site application to achieve and embed them. Finally, they felt it was important to have sufficient work-based time to build experience.

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<sup>26</sup> For example, BT, Creative and Cultural skills and the TUC all supported the Group Training Association and Federated Apprenticeship Schemes model as a way to help SMEs specifically in navigating the complexity of the skills system.

<sup>27</sup> Federation of Small Business, The Apprenticeship Journey, Nov 2012, at <http://www.fsb.org.uk/policy/Publications>

## The future approach

The quality of training in apprenticeships varies greatly, with much excellent practice. Too much provision is however driven by the need to tick off a very long list of competencies, required to complete the requisite qualifications. This has meant that, today, too many apprenticeships involve, in part if not it total, a heavy focus on on-going assessment – indeed many apprenticeships are delivered on the ground almost exclusively by individuals called assessors, rather than trainers, teachers or educators. Much of the time which apprentices spend ‘training’, is in fact spent with their assessor providing evidence of their ability to meet competency requirements. I believe apprenticeships should be about new learning, and those involved in delivering apprenticeships should focus on teaching and coaching – this should be their primary task, the thing they are paid to do.

I also believe that innovation, diversity and real choice is critical if we are to enable employers and learners to access apprenticeship training which best suits their needs and potential. Employers and learners know best how they learn, and what they need their apprenticeship to achieve – they, not providers and not Government, should shape their apprenticeship experience.

But during the review process, while the case for flexibility and employer leadership has been made strongly, so too has the need to learn from the best apprenticeships and ensure that all apprenticeships, while they may vary in a great many ways, share some basic common features – the features which are most core and most common to good quality apprenticeships, here and around the world.

Our approach to apprenticeship delivery should therefore seek to balance aiming for maximum flexibility on delivery, putting employers and learners in the lead in shaping the process, with aiming to ensure minimum standards

based on what we know good quality training involves, so that every apprentice has the opportunity to access the best possible apprenticeship.

Finally, we must learn one further key lesson from the best apprenticeship models – that good quality training depends not just on robust standards, empowered employers and engaged learners; it also depends on investing in the capacity of good quality trainers and training organisations, whether they are in colleges or training organisations or within employers themselves. So we need to find better ways of identifying good training, promoting it and supporting it to grow – ways of ensuring an effective market in which employers make meaningful choices, good organisations flourish and poor ones are removed.

### **A flexible approach**

An apprenticeship should give the learner the skills needed to do their job well, in relatively broad and different contexts. As described in chapter 3, I believe that, as long as employers and learners have strong incentives to meet the standard specified in the qualification, and that the qualification itself is credible and robust, then we should leave it to those best placed to decide on the most appropriate approach to reaching the standard. We should encourage flexibility and diversity in the particular path the apprentice could or should take in getting to the desired standard.

This could mean flexibility in terms of:

- The curriculum and content of the apprenticeship;
- The balance of on-the-job and off-the-job training;
- The structure of different components;
- Who delivers the training;
- The duration of the apprenticeship;
- The approach to intermediate assessment and feedback.

We should positively encourage training organisations and employers to compete in finding the best approach to getting apprentices to the agreed standard, as specified in the apprenticeship qualification. This will promote efficiency, innovation and creativity and, ultimately, a better outcome for learners and employers. Flexibility also means that approaches to meeting the standard can be tailored to the needs of the individual learner and employer.

But I also know, from my discussions with stakeholders and the available evidence, that there are distinct features of delivery that are likely to impact particularly strongly on the quality of the learning experience and outcomes for the apprentice. We should therefore build on our understanding of what works well, and make sure that flexibility is underpinned by a small number of core principles for effective delivery.

In particular, evidence tells us clearly that off-the-job, and off-site learning, typically delivered by a third-party organisation rather than the employer, adds value – it gives the apprentice safeguarded time away from their job to ensure they can do substantial training. It can give them a peer group of different apprentices and a wider perspective, ensuring that someone else other than their employer is inputting into the training which can add to transferability.

For example, in their research into apprenticeships in the United Kingdom, Alison Fuller and Lorna Unwin (Fuller and Unwin 2003, 2008, 2011a and b), explore the processes by which new entrants to an occupation or workplace gain the knowledge and skills that make them effective.<sup>28</sup> Based on their findings, they stress the importance of planned time off the job – including

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<sup>28</sup> Fuller, A. and Unwin, L. (2003) 'Learning as Apprentices in the Contemporary UK workplace: creating and managing expansive and restrictive participation,' *Journal of Education and Work*, Vol. 16, no. 4: 407-426  
 Fuller, A. and Unwin, L. (2008) *Towards Expansive Apprenticeships*, ESRC TLRP: London  
 Fuller A. and Unwin, L. (2011a) The Content of Apprenticeships, Dophin, T. and Lanning, T. (eds) *Rethinking Apprenticeships*, London: IPPR  
 Fuller, A. and Unwin, L. (2011b) *Creating and Supporting Expansive Apprenticeships: A Guide for Employers, Training Providers and Colleges of Further Education*

time away from the workplace - which gives apprentices valuable time to 'stand back' from and reflect on work place practice. This is a key feature of what they describe as an 'expansive apprenticeship' because the opportunity to participate in on and off-the-job training recognises that apprentices are both learners and workers.

There is also real value in making sure apprenticeships endure. A genuine apprenticeship, where the apprentice is new to the job, and the job requires substantial skills to be done well, will take time to complete. And it is not just about the time it takes to teach the material. The apprenticeship experience itself requires time to bed in and for the learner to transform from an apprentice to a skilled worker. The time needed for this will vary by sector and occupation, but, as a minimum, I think that an apprenticeship should last one year.

Although the future system of apprenticeships will create strong incentives to deliver apprenticeships in the right way, meaning that Government can have a minimal role in specifying what is done and how, I believe that these two aspects - some off-site learning typically involving a third party, and a minimum duration - should be made mandatory. They will reinforce incentives to deliver the best outcomes for the apprentice. Also, mandating these two elements may help guard against instances of poor employer practice and protect the interests of the learner.

Therefore, the Government should only support the cost of apprenticeships where the employer can demonstrate that they have invested in the apprentice for at least a year and that some of that training was done off-site. Off-site training, not just off-the-job, is important to specify because today, when training is on-site but off-the-job, this can often be hard to distinguish from normal on-the-job training and easily merges into work and loses its value. Too often today the requirements for off-the-job learning this can be limited to self-guided learning, and provider-led assessment, with little meaningful training away from the burdens of day to day work. In most cases

this should require the involvement of a third party training organisation, unless the employer gets approved to deliver all their training themselves.

It is important that the apprentice and the employer have a clear and common understanding of what is expected from them at the outset. The Government should consider specifying that the employer and apprentice come together at the beginning of the apprenticeship and sign an agreement, setting out what is expected of them. This could include an explicit commitment to work towards the relevant apprenticeship qualification. It should also spell out the training that will be delivered, by who and where, and the time off work allowed for this. It should be clear who is available to mentor and support the apprentice - in the training organisation and the firm. This is simply good practice, and happens in some cases today. But, going forward, it needs to be a routine part of the approach. This commitment should be light touch and straightforward. It might be best facilitated at sector level by employer-led bodies – such as trade associations or industrial partnerships – or at local level.

This is done in Denmark, for example. There, at the outset of an apprenticeship, a learning plan is developed between the employer, the provider and the apprentice, and it is a binding agreement between all parties. In many European countries, these types of requirements form part of apprenticeship contracts. In principle, there are good arguments for having apprenticeship contracts instead of full employment contracts. In countries with very high levels of employment protection and low labour market flexibility, employers would not be willing to take on apprentices, given the uncertainty as to whether they would succeed, under standard employment contracts. But, I do not believe this is needed in England today, where labour markets are more flexible and employment regulations less onerous, especially in the first years of employment. However, in future, Government may wish to keep this issue under review, to ensure that employment regulations do not in time become an obstacle to apprenticeship recruitment.

## Maths and English

As set out in chapter 3, we believe that maths and English are essential to supporting the longer term career prospects of the learner. We consider that all apprentices should reach a Level 2, which is equivalent to GCSE A\*-C, in maths and English *at a minimum*, before they are eligible to complete their apprenticeship. More advanced maths and English (beyond level 2), where required in order to do the particular job well, should be included as part of the standard.

We should not ignore why some individuals have struggled to reach level 2 in maths and English in the past. For some students, replicating the approach that was unsuccessful for them in the first place is unlikely to be productive. We should encourage innovation in the ways English and maths are taught within an apprenticeship, and ensure that learning can be applied to the job they are doing; to give it context and meaning. The evidence shows that apprentices will be more engaged and motivated to learn if they can see the relevance and value of maths and English to their work.<sup>29</sup>

## Building capacity and ensuring quality of provision

A competitive market will, generally, promote the emergence of strong institutions: over time, good training organisations will develop good reputations and attract more employers and weak training organisations will not survive. But this takes time – and it requires employers being able to make informed, meaningful choices with clear financial consequences. However, employers (and learners) cannot always observe or know the quality of provision in advance. It is only after an employer has invested in a number of apprenticeships with a training organisation that they can confidently judge the quality of provision. Therefore, I believe that

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<sup>29</sup> There are studies indicating that learners on ‘embedded’ courses have higher retention and success rates. See for example: Casey, H., Cara, O., Eldred, J., Grief, S., Hodge, R., Ivanic, R., Jupp, T., Lopez, D. and McNeil, B. (2006), "*You wouldn't expect a maths teacher to teach plastering...Embedding literacy, language and numeracy in post-16 vocational programmes - the impact on learning and achievement*". London: National Research and Development Centre for adult literacy and numeracy.

Government must find a way of both supporting employers to make good choices and safeguarding employers and apprentices against poor provision in the short term.

There should be a light touch system for approving training organisations. Currently, provider approval is the responsibility of the SFA, and does not sufficiently take qualitative measures into consideration. Going forward, different approaches may be considered.

Today, Ofsted is responsible for inspecting apprenticeship training providers. However, this is increasingly conducted on a risk-based approach, which means that some training providers can be inspected very infrequently, which can be problematic given the lifecycle of some private training providers (compared to schools or colleges).<sup>30</sup> Also, they do not currently *approve* training organisations.

Ofsted, in future, could have a role in the approval of training organisations. This would work best where training organisations are being approved on a general basis, to demonstrate that they are good at delivering training overall. For example, they could assess general educational quality and robustness of procedures across apprenticeship provision as a whole for the training organisation. If Ofsted are to take on this role, they will need sufficient capacity and enough inspectors with suitable expertise to critically evaluate apprenticeship training.

However, there is a case for approving training organisations on the basis of whether they have the resources and expertise to deliver *particular* apprenticeship qualifications. I believe that, to be done properly, this would need to be carried out by organisations with the right specialist knowledge –

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<sup>30</sup> Good providers are inspected and re-inspected less often. For example, providers awarded a grade of good for overall effectiveness at the previous inspection will normally have up to six years between inspections, unless their performance drops.

so for example employer-led bodies (see Box 2 in Chapter 4), such as trade associations or ‘industrial partnerships’.

A dual approval basis – whereby training organisations are approved in a general way as fit to provide occupational training by Ofsted *and* also for their suitability to deliver specific apprenticeship qualifications and sector-relevant training – might provide maximum safeguards against poor quality provision. But this places a large regulatory burden on training organisations, which could discourage new entry into the market and the benefits that brings in terms of innovation and competition. Government should explore which approach to approving training organisations would work best, striking the balance between safeguarding against poor provision and promoting new entry and competition. One option might be to mandate ‘general’ approval by Ofsted, but encourage an employer-led voluntary kite-marking in addition to this, whereby sectors can help to signpost their employers towards those training organisations delivering the best training for their sector.

It is vital that approval processes are light touch and constructive. A small provider, or an employer who wishes to become a training provider, should be able to go through this process quickly and confidently. This process must be able to accommodate diversity and not constrain innovation; it should not seek to judge or impose restrictions on the way an institution delivers apprenticeships. But it should provide a minimum assurance of the quality of provision to the employer. It should also be possible for the employer-led body to revoke the licence of a training organisation where outcomes are poor, specifically where training organisations are not achieving the standard, and employment and progression prospects for apprentices are poor.

The requirement that every apprenticeship must involve some off-site training with a third party training organisation must be met by involving an approved training body. The process for approving training organisations should therefore also be applied to those employers who, by exception, wish to provide their entire apprentice’s training themselves, if they are able to

demonstrate a good track record in doing so and/or sufficient training capacity and capability within their own company.

### **Encouraging innovation**

There are many good examples of innovative and creative approaches to the delivery of apprenticeships today, bringing new types of organisations and new approaches to training into the mix.

The development of new Higher Apprenticeship frameworks offer some good examples of this, with Higher Education institutions, consortia of employers and other training organisations working together to devise and deliver new apprenticeships up to degree-level and beyond.

University Technical Colleges are also offering students new opportunities and ways of learning. They offer full time, technically-oriented courses, taking a very practical approach to learning, integrating national curriculum requirements with technical and vocational elements. Local and national employers provide support and work experience for students.

Further Education colleges are partnering and hosting speciality boutique private providers, creating partnerships that leverage the particular skills of both. In some cases Colleges are creating Learning Companies, which are full-fledged businesses in their own right, wholly owned by the colleges.

#### **Box 3: Learning Companies**

The Learning Company model is one aspect of taking forward the 'Entrepreneurial College' which is being promoted by the Gazelle Group of FE colleges. This model is a commercially sustainable way of providing real - rather than realistic – work opportunities for young FE learners and apprentices to improve their skills in a business relevant way - whilst improving their commercial awareness and developing entrepreneurial skills along the way.

**For example:**

- Liverpool Community College has set up a company called 'Eat & More' which delivers catering for events. They employ 6 staff, 20 apprentices and will provide a minimum of 5 internships and work experience opportunities.
- Also, Fit4less, the low-cost gym concept created by the énergie Group, has launched its first UK commercial venture in conjunction with North Hertfordshire College. There are currently 7 college students who are employed in the company while studying health and fitness courses.

More generally, the Gazelle Group work towards transforming curricula in FE colleges, to encourage an entrepreneurial mindset.

However, the willingness of training organisations to take risks and innovate is very variable. This is because the system does not incentivise or reward innovation.

Freeing up the system, actively encouraging new organisations to get involved in apprenticeship training – charities and social enterprises, schools, Higher Education Institutions, and organisations of all types, providing they have relevant expertise and skill - and making sure training organisations have the right incentives will help make sure that we do not discourage innovation. But this, alone, may not be enough.

Government should explore ways of directly encouraging new and innovative delivery models. For example, the Government could set up a social investment fund, for innovative models, such as Learning Companies, to support those that demonstrate the potential for commercial capacity and growth.

## Consequences of the proposed approach to delivery

In stripping out specification and regulation of the apprenticeship process, and giving employers and training organisations much greater freedom to shape the apprenticeship themselves, we will to some extent introduce greater risk into the system – specifically the risk that, in embracing diversity, we cannot fully guarantee the quality or consistency of the experience for the learner. I believe this is a necessary reality, and certainly no greater than the quality risks in the current system.

No matter how much prescription Governments insist upon, good employers will provide good experiences for their apprentices and poor ones will not, and individuals will, as any employees do, make choices about where to work and what routes to pursue. We cannot – even if we wanted to – regulate to guarantee quality of experience. So instead we should free up employers, whilst putting in place some minimum requirements to act as safeguards.

The success of this approach to delivery depends on there being an effective, dynamic market for training – it therefore cannot be successfully delivered without the implementation of the funding reforms described in the following chapter, or a variation thereof. Similarly, the effective operation of an employer-led system for approving training organisations depends on there being suitable employer-led bodies that are willing and capable of performing this function – if this is not the case in some sectors, an alternative will need to be identified, such as the SSC playing this function on an interim basis.

This approach creates big opportunities and potentially challenges for employers and for training organisations. Employers will have much greater freedom to tailor their apprenticeship to suit their needs and suit the needs of the individual learner. Not all employers, perhaps not even most, will however feel confident in determining what is required to get a new apprentice to the

required standard, nor will most want to design their training programmes themselves.

We will therefore expect training organisations to continue to offer this service to employers, as they do now – employers can opt to ‘buy in’ the training package as a whole or in part from any approved body, and training organisations will, as now, shape what they offer to suit what employers need, whether that means an end to end training journey, or selected components, or wider support services such as recruitment or coaching support. The key difference will be that employers can choose to shape the process as they wish, will be free to ask of training organisations what they wish, and should be able to choose from a far more diverse range of options on offer. It will therefore be vital to ensure employers have access to high quality, independent, timely information about what provision is on offer, to help them make informed choices.

Similarly, training organisations will face opportunities and challenges. This approach (when combined with the funding reforms we recommend) will create opportunities for new types of organisations to get involved in apprenticeship training. And it will give all training organisations far greater freedom to shape their training around the needs of their employers and learners, with the sole objective of providing the best training they can to help their apprentice reach the standard. But, with these new freedoms will come the challenge of having to help apprentices reach standards which are often more stretching than previously, and play a much greater role in designing the content and curriculum of an apprenticeship.

While the current qualification structure and heavy focus on continuous assessment provides a clear structure for training organisations to follow, in future it will be up to them to design and develop innovative and tailored approaches to teaching and training. Not every training organisation will need to design their apprenticeship from scratch of course – we would fully expect curricula to be developed which training organisations can choose to opt into,

or successful approaches to be scaled, but these will not be prescribed. Many organisations will thrive with the freedom to do what they do best, but for some this will be a real challenge to their business model and current capability.

## 6. Funding

This chapter describes how apprenticeships are funded today. I explain how the Government budget is allocated, on what basis and by whom. I set out the eligibility criteria for funding and what the employer and learner contribution towards apprenticeship costs are. Then I highlight what stakeholder's have told us about the current funding system and whether and how it incentivises quality, efficiency and take-up. Finally, I describe a new model of apprenticeship funding, which puts employers in the lead, maximises value for money and encourages growth.

### Overview

The entire system I am describing here depends upon the parties to the system having their incentives and interests aligned. This can be most elegantly ensured by making sure that the funding of the system focuses everyone in the correct direction. In that spirit, I recommend a re-direction of funding.

I agree with the distribution of the cost being shared by all three parties to the system – as they are today. Employers pay apprentices wages and put in the effort to training them to become useful to the business. The apprentice often accepts a lower wage during their apprenticeship. And, finally, Government pays for part of the apprentice training.

I think it is right the Government contributes to the cost of training and that it should continue to do so. However, I think that the purchasing power for training must lie firmly in the hands of employers. Employers are best placed to judge the quality and relevance of training and demand the highest possible standards from training organisations. To become real consumers of training, employers should have control of Government funding and, also, contribute themselves to the cost of training. The price should be free to respond to and

reflect their demand for training. This way, training providers, public and private, will respond first and foremost to the employer's needs; something that is not always in evidence today. This will maximise the value for money from Government investment.

The Government's contribution should be linked, in part, to the achievement of the apprenticeship standard, so that Government can ensure it is investing in transferable skills that help make the apprentice more useful in the labour market as a whole, not merely in support of a specific employer. That does not stop the Government from acknowledging the extra challenges faced by small businesses or younger apprentices by paying more in those instances.

There are different ways in which funding can be delivered. I have a strong preference for using the National Insurance or tax system, as I believe it is the most elegant option, which drives the best outcomes with the greatest impact. Also, it has the extra benefit of driving the awareness of apprenticeships amongst employers. If the funding system is attached to the tax system in a simple and effective way, then the awareness of apprenticeships will increase considerably – all employers, rightfully, are aware of their tax bill and anything that might reduce it.

**In summary, I recommend that:**

- The purchasing power for investing in apprenticeship training lies with the employer.
- Government contributes to the cost, but this is routed via the employer, in order to ensure relevance and drive up quality.
- The price for apprenticeship training should be free to respond to and reflect employer demand.
- Government only contributes to the cost of training that delivers skills that support the apprentice in reaching the industry agreed standard. Payment should be partly linked to the apprentice passing the test.

- Government funds apprenticeships through National Insurance or the tax system – ideally through a tax credit, similar to the R&D tax credit.
- Government considers varying how much it pays for training – and potentially how and when it makes the payment - according to the size of the firm and age of the apprentice.

## The system today

The Skills Funding Agency (the SFA) is responsible for funding further education for adults. It operates by allocating training providers a single, flexible budget. Each year the amount of funding which is allocated to providers is determined primarily by how much they were awarded the previous year. If they failed to spend their budgets, they are penalised by having a reduced allocation. Therefore there is only marginal capacity for new providers to receive public funding.

The SFA sets a funding rate for each apprenticeship framework, based on a formula that puts a monetary value on the relevant Sector Skills Council's assessment of how much learning is involved. A 'programme weighting' is applied to reflect differences in tuition cost in across (for example, higher costs are likely to be involved in delivering construction, than in customer service).

In principle, apprenticeships for 16-18 year olds are paid at a 'full cost' rate, which means that Government pays the provider what it estimates to be the total cost of delivering the framework. Adult apprenticeships are 'co-funded', which means that Government provides around half of the funding which it would pay for a 16-18 year old, with the expectation that employers will pay the remainder. The funding rate is further discounted for apprentices over 25, or for those apprentices in larger employers.

It is not clear in reality how much of a contribution employers actually make; whilst they clearly contribute in kind, very few providers collect fees from employers in cash. This could be because the provider can cover the full costs of the training with the Government contribution that they receive – perhaps because the Government has overestimated the cost or because they are offering a lower quality, cheaper service. Or, they could be offsetting any losses against surpluses they are earning on other apprenticeships that are fully funded.

At present 80% of the funding rate of a course is paid out progressively to providers during the course and 20% is held back as an outcome payment for the individual completing their framework

Eligibility to apprenticeship funding is only limited by a few key factors: that the person needs to be over 16; living in England; employed; and not in any other form of full time education. Finally University graduates are not eligible for any Government funding for an apprenticeship, although they can do one if they or their employer is willing to pay for it.

It was agreed as part of the 2010 Spending Review settlement to introduce loans for Further Education courses from August 2013, for those aged 24 and over studying at Level 3 or above and to remove grant funding for this group.

In addition to the main apprenticeship budget, there are also a range of other financial incentives such as the Apprenticeship Grant to Employers, for those who haven't engaged in the programme for at least 12 months, have under 1,000 employees, and who are taking on a new apprentice who is between 16 and 24 years old. This funding, which aims to promote uptake and introduce new employers to apprenticeships, will be further explored in chapter 7 on demand and awareness.

## Stakeholder views

- “By channelling funding directly to employers you hand them purchasing power. They can take the money to a provider and ask, ‘what are you going to do for me?’” (**Institute of the Motor Industry**)
- “Government should fund generic areas, employers should fund the acquisition of the skills and competencies from which they derive direct benefit.” (**The Lancashire Colleges**)
- “We think there is scope to explore the possibility of reducing or abolishing National Insurance Contributions (NICs) for those taking on a young apprentice in their first year...” (**EEF**)

## Government’s contribution to the cost of apprenticeships

The overwhelming majority of respondents suggested that Government should continue to subsidise apprenticeships. Most argued that employers should also contribute, although, some stressed that employers already make an important contribution to cost – even where they do not pay directly for training - by paying apprentice wages and contributing in kind through work-based learning. The Federation of Small Businesses argued that most employers would be willing and able to invest in apprenticeships, if that investment is supported by Government.<sup>31</sup>

## The approach to funding

A selection of stakeholders raised the ideas of a training levy, tax or NI breaks as a way of encouraging employer investment and ownership, alongside more

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<sup>31</sup> The Federation of Small Businesses reported the results of a survey of their members whereby “over a third (36 per cent) said that they (the employer) funded their apprenticeship programmes entirely themselves. The majority (60 per cent) did so through a combination of employer and public funding, and three per cent relied solely on public funding.”

employer consultation on framework content and quality.<sup>32</sup> However, some raised concerns about an approach that puts funding directly into the hands of the employer, arguing that there would be challenges over ensuring probity of public spend and avoiding profiteering as well as minimising bureaucracy for employers.

The AoC promoted the SFA as being best placed to manage apprenticeship funds and direct them to the FE sector, given that they could ensure that it went through to well regulated providers.

### **Funding that recognises differences in firms and apprentices**

Several respondents pointed out that the approach to funding should recognise that in general SME employers and sectors without dominant employers and dependent supply chains require more support and incentives to invest in apprenticeships.

Others suggested that priority support should be targeted at some sectors that had greater skills shortages or which are of key economic importance and needed greater support to ensure the future growth of the sector. Or that support should be on the basis of national and regional analysis of skill shortages.

Some stakeholders felt that age should not be a relevant consideration for funding. NIACE argued that apprenticeships are valuable when people move into their first job, promoted into a new role or change career and enter a new sector or job role completely. These changes can happen at any age and all merit Government support whereas others supported funding that is limited too, or more generous towards, the young.

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<sup>32</sup> Leicester College proposed that this could be a way of ensuring consistent employer contribution saying: *“In terms of employer contributions, a levy or tax rebate system should be considered. At present there is no consistency or way to ensure that all employers are contributing to the costs of apprenticeships”*

## The apprentice contribution

Some respondents highlighted that low wages for apprentices can be a deterrent to take up, particularly in London and other areas where the cost of living is higher. There were suggestions that apprentices on low wages could be better supported in other ways, such as reduced or subsidised travel costs and other expenses. Apprentices themselves generally accepted that they were paid lower wages in return for training and development and investment in their future, however only where they felt there was significant investment in them, relative to non-apprentice colleagues on higher wages.

## The future approach

Funding is *the* major lever the Government has to drive change in apprenticeships. Establishing a funding system which incentivises quality, actively encourages expansion of apprenticeship opportunities, and drives efficient use of both Government and private investment, is an essential underpinning of everything else recommended in this report.

We must design a system which does not simply make good economic sense in principle, but which actively encourages and incentivises employers and individuals to participate in apprenticeships in practice. An underlying principle informing our proposed approach is that apprenticeship is a form of education, and employers are taking, and should be encouraged to take, an active role in the delivery of this education – they should be teaching and training their staff, not simply seeing this as a task for the Government or training providers. As such, the Government needs to recognise employers' role as trainers and educators, and therefore contribute significantly to the costs of training.

Whilst it is true that employers benefit from apprenticeships, this should not take away from the fact that the Government should want more employers to offer more apprenticeships and will need to pay to make this happen. The

state has a strong interest in the benefits apprenticeships bring to individuals, particularly to young people, and particularly to those young people most likely to choose an apprenticeship. The economic benefits of enabling these individuals to undertake a quality apprenticeship are very evident – as are the potential costs and risks if they cannot.

Currently, apprenticeship funding drives a system which is too provider-driven and not sufficiently responsive to employers, and which does not promote efficiency or adequately incentivise quality. A future system needs to put employers in the lead, maximise value for money, and encourage expansion.

### Who should pay for an apprenticeship?

There are three groups who benefit from apprenticeships:

- **The learner.** They enjoy higher lifetime earnings from the apprenticeship, particularly where they have gained transferable skills that are marketable.
- **The employer.** The employer benefits from a more productive and loyal workforce.
- **Society.** Apprenticeships deliver the skills needed to support prosperity and social mobility, benefiting society in general.

It is right that the cost of apprenticeships are shared by all three beneficiaries: employers paying apprentices wages and putting in the effort to train them to become useful to the business; apprentices accepting a lower wage during their apprenticeship and society – through Government - paying for part of the apprentice's training. The Government must continue to contribute to the cost of apprenticeship training, otherwise we risk deterring large numbers of employers from offering apprenticeships, or at least from offering apprenticeships that are sufficiently tailored to the longer term needs of the apprentice and the wider sector.

But it is not enough that each of the three parties to the system contribute. We must also make sure that they contribute in a way that drives an efficient and effective system. I believe that, if apprenticeships – and in particular, the training that supports them - are to be delivered in the best possible way, the most direct beneficiaries should contribute to the cost of delivering them. They should be the primary customer in the market, shaping what training gets delivered and how.

In today's world, it is the Government (via the SFA) that shapes the market for training. The SFA sets a funding rate for each apprenticeship framework, based on estimates of the cost of delivery. But the evidence suggests that the funding rates do not always reflect the true cost of delivering an apprenticeship. Inadvertently, the SFA may be subsidising some apprenticeship frameworks more than others.

The consequence is that training organisations are incentivised to offer more of the most lucrative apprenticeship frameworks – where the gap between Government funding and costs of delivery are greatest. Too many resources are being dedicated to those apprenticeships that deliver the biggest margins instead of those apprenticeships that generate the highest value for society.

This should be turned on its head. We must free up the 'price' for training - so instead of being set by Government, it reflects and responds to what employers are willing to pay for training. Only then will training organisations shift their attention to their true customer – the employer – and respond to their needs.

### **Purchasing power should lie in the hands of employers**

For this, we need purchasing power to lie in the hands of employers. They must become real customers of training. This means that employers should be in control of Government funding and they should have 'skin in the game' - by contributing to the cost of training - in order that they demand the highest quality and most cost effective training. Then, we must free-up the price in

the market, so that it responds to this demand, thereby acting as a signal to training organisations for where the greatest value lies.

As highlighted above, it is right, as well as efficient, that the employer contributes to the cost. Employers benefit directly from apprenticeships.<sup>33</sup> However, we should also acknowledge that employers are already contributing to the cost of an apprenticeship. They accept the individual's reduced productivity while they are training; take on someone who is more of a risk than an individual who was already trained, and provide use of their facilities, or internal supervision and training.

Therefore, while it is important that the employer pays something towards the cost of training, this should not necessarily mean more employer investment overall. The funding system should encourage and not deter employers from participating – particularly recognising that today many receive apprenticeship training as a free good. So whilst we should expect employers to contribute, because this is vital to having them drive the system and ensure efficiency and relevant use of resource, this should not mean less Government investment overall, but it should be higher quality and better directed investment.

In fact, improved efficiency – as the price of apprenticeship training becomes more aligned with the true cost of provision - could lead to significant savings. This means that the Government could be more generous in other respects, for example by funding elements which at the moment it does not support. Government could offset or partly offset employers' contributions to training, by reimbursing part of the cost of internal training or even a proportion of the wage costs. Therefore, it should be possible to ensure that overall, employers are not worse off, even if they are now contributing to the cost of training that was previously free.

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<sup>33</sup> Evidence suggests that, on average, it takes around 1-2 years for employers to recoup their initial investment in an apprenticeship: IFF (2012) *'Employer Investment in Apprenticeship and Workplace Learning: The Fifth Net Benefits of Training to Employers Study'*

Clearly apprenticeship funding must be affordable and deliver value for money. However, whatever level of Government funding is made available for apprenticeships; we need to make sure it is allocated in the most efficient way, particularly in light of the current pressures on public finances.

It is important that, in contributing to the cost, Government pays a *proportion* of the price that emerges in the market, rather than a *flat rate fee*. A flat rate fee – i.e. a contribution to the cost of training that is fixed, regardless of what employers are willing to contribute - would require Government to estimate what a reasonable contribution to the cost would be, as it does today.

However, we have seen that it is difficult for Government to estimate this accurately. If the flat rate fee is set too high, and training ends up being ‘free’ for the employer, then training organisations will have incentives to deliver that training, irrespective of whether it delivers any value to employers and society. If, instead, Government pays a proportion of price, with employers paying the rest, then the price that emerges will reflect, at least in part, what employers’ genuinely value, and not Government estimates of the cost or value. This will drive sensible outcomes for training provision, which align with employer value.

Overall, I believe that a market-led price for the provision of apprenticeship training will lead to higher quality training, lower prices and, ultimately, better outcomes for the learner, employer and society.

### **Government funding should depend on the type of training**

I believe that maths and English should continue to be easily and freely available. Government should fully fund them and pay the cost directly to the training organisations. This is because these skills are broad and make the individual more employable in general, not just for a particular sector. This makes it difficult for individual employers to directly capture the benefits of investment in these skills, putting them at risk of under-investment.

In contrast, training that is firm specific – for example training to understand internal systems or processes - should be fully funded by the employer. Such activities do not, in general, add to the individual’s marketability in the labour market, and are largely not reflected in higher wages – the employer is the main beneficiary in terms of enhanced productivity.

For training that is dedicated to getting the apprentice to the apprenticeship ‘standard’, Government should subsidise employer investment. This training will be relevant to the individual’s job, but also has wider applicability within the sector. Without Government funding, employers are likely to under-invest in this sort of training.

For eligible training, the Government will need to set out how much funding it is willing to contribute per £1 of employer investment. There may be several (although a small number) of funding rates, for example:

- **Smaller employers could be funded more generously.** Smaller employers take on a greater proportionate risk in employing an apprentice. They may also be more cash constrained and be less likely to have established or recognised training programmes. Government may wish to support apprenticeships for smaller firms by offering a more generous contribution to the cost (we consider other measures that could help smaller firms below);
- **16-17 year olds could be funded more generously.** For a 16- 17 year old, an apprenticeship is primarily a learning experience rather than a productive job – and their wage should reflect that. They may require significant support and mentoring and employers may require a bigger incentive to take them on. In some cases a traineeship might be more suitable (see chapter 2). But, where they are employed as an apprentice, Government should consider fully funding this age group and possibly even contributing to the wage cost.

Government should explore setting upper and lower thresholds for its contribution for each individual. An upper threshold could limit how much Government is willing to spend on one individual, in order to keep costs manageable. It would also limit the scope for employers to seek to include training which is narrowly focussed on the job role and which has limited transferable value within the overall apprenticeship envelope in order to secure co-investment.

A lower bound threshold could be applied to safeguard the brand and value of the apprenticeship framework – for an individual to be described as an apprentice (and for that training to have significant wider marketability and value) an employer should be seen to have invested significantly in the individual's skills. Also, we should make Government funding conditional on evidence that the apprentice was new to the job or role when they started, via tax declarations or other suitable mechanisms.

### **Creating the right incentives for employers**

As noted above (see chapter 3), I believe that there should be flexibility and diversity in the approach to getting an apprentice to the agreed standard because individual employers and providers are best placed to decide on the most appropriate approach to reaching the standard. But, for this, it is essential that they have the right incentives to get the apprentice to pass the test in the most efficient way.

First, this relies on employers contributing to the cost. Unless they are making some contribution to the training costs, they will not be incentivised to seek the best and most cost effective way of reaching the standard. As noted above, I believe that some direct contribution to the cost of training from employers is beneficial anyway, since it helps to create a well-functioning and responsive market for apprenticeship training.

Second, we need to make sure that the employer invests in the training that is relevant to meeting the standard that is specified in the qualification.

Although the employer would have signed up to the standard, it may not necessarily be in their interest to invest in all aspects of the training required to get to the standard. Indeed, this is the fundamental reason for Government involvement in apprenticeships: firms will not always have the right incentives to fully invest in the longer term, transferable skills that the sector requires.

Therefore, to create the right incentives, Government payments should be tied to the individual reaching the apprenticeship standard. In principle, this could mean the Government only paying its contribution to training costs once the standard is attained. In practice however, few employers would be prepared to carry the full risk, and pay out full costs whilst having to wait perhaps several years to have costs reimbursed, and then only if their apprentice is successful. Some providers might be willing to bear the risk for employers, and charge them on completion only, but many would not be able to do so, and we would risk excluding some of the smaller and best providers. Therefore, Government will need to test and develop the right balance between funding in stages throughout the apprenticeship, to support employers and providers with their costs, whilst making a proportion of funding dependent upon successful achievement of the standard.

### **Supporting the learner**

I believe that individuals should contribute to the cost of apprenticeships through accepting reduced wages. This is the more straightforward than other approaches – such as asking apprentices to directly cover part of the cost of training – since they are already earning a wage, which employers can amend to reflect any reasonable contribution to the cost of training.

Besides the issues of practicality, I believe that the alternative options for getting the apprentice to contribute – that is, where the direct spending power for apprenticeship training lies in their hands - can not work effectively. Employers, not apprentices, are best placed to directly purchase training and to drive training organisations to offer the best quality training that is most relevant to their business needs, at the lowest possible price. By their very

nature, apprentices will not have the knowledge or expertise to judge the quality of provision and make economic decisions based on these.

There are other differences between apprenticeships and other types of education that, potentially, call for differentiated approaches to funding. For example, apprentices have often made a choice to work, rather than to explicitly invest in their education. Also, they tend to be more risk averse and less certain about the returns to apprenticeships. Therefore, if they are asked to pay directly for training, many are likely to be put off from starting an apprenticeship, choosing to work without the training instead. We must avoid this outcome, since it is in our collective interest that these potential apprentices engage in the sort of training which is widely respected and supports their progression.

The Government already sets a lower minimum wage rate for apprentices than for other workers, recognising that they have lower productivity while they are training, and are investing in themselves in the expectation of being paid more subsequently. This should continue.

However, today, most apprentices are paid significantly more than the apprentice minimum wage and employers report it can be difficult to recruit good quality candidates if low wages are offered. By international standards, English apprenticeship wages are high. German apprentices receive 73% of the average English apprenticeship wage, while those in France receive 36%.<sup>34</sup>

In time, this might change. As apprentices receive, on average, more and better quality training, they will be more likely to forego wages now in the confidence they will see a greater return later on. And if employers are expected to contribute to training costs in a way in which they have not before they may wish to pass on part of the increased cost to the employee through

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<sup>34</sup> Steedman, H., (2008). *'Time to Look Again at Apprenticeship Pay? Getting Cost-sharing Right'*. SSSDA Catalyst. Issue 5. Sector Skills Development Agency

a lower wage. This could be an encouraging development in many ways and would indicate that apprenticeships are seen as a valued and valuable form of education. But it may pose challenges for apprentices, who have to meet rising living costs on low wages.

While it is legitimate that apprentices earn low wages where they are being heavily invested in, we must ensure individuals are not excluded from apprenticeships because of their living costs. Government should consider offering maintenance loans to support the income of apprentices who accept a very low wage for the duration of their apprenticeship (for example, because the employer decides to put the cost of training on to the apprentice), as it might not be possible for them to acquire commercial loans to cover the cost of living.<sup>35</sup> The Government should consider offering income contingent loans for apprentices; this approach could be linked to family income in the same way as support for HE students.

### **Summary of the principles that must underpin future apprenticeship funding**

In summary, I believe that future funding of apprenticeships should be underpinned by the following principles:

- Employers should have purchasing power for investment in apprenticeship training. Government should continue to contribute to the cost – and do so generously - but this should be routed via the employer;
- The price for apprenticeship training should be free to respond to the value that employers and society place on that training;
- The funding system must actively encourage the expansion of apprenticeships, by encouraging and not deterring employers and individuals from participating,

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<sup>35</sup> See, for example, a discussion on the rationale for Government provided loans to support individuals in paying towards further education costs by Alison Wolf (2009) '*An Adult Approach to Further Education*' IEA

- Government should only fund training that is transferrable and that supports the apprentice in reaching the agreed standard;
- Government might vary how much it pays for training according to the size of the firm or the age of the apprentice;
- Government payment should be linked to the apprentice passing the test for the standard;
- Individuals should contribute to the cost of the apprenticeship through reduced wages. Government should continue offering income-contingent loans to support living costs where wages are very low.
- The funding system should be kept simple and accessible to the small employer
- Apprenticeship funding must be affordable and deliver value for money.

## Options for a future funding model

There are different options for how Government might implement a funding approach that meets the principles set out above.

My strong preference is for Government to fund apprenticeships through a tax credit. Employers would record how much they spent on eligible training for apprentices, and claim the Government contribution through their tax return. Businesses make these calculations already – eligible expenses (including investment in skills) are recorded and are deducted from their pre-tax profits. Such an approval need not be complicated or unduly bureaucratic – and employers of all sizes are used to using accountants for such purposes.

The R&D tax credit (see box 4 below) works by allowing businesses to reduce the amount of corporation tax they pay. An apprenticeship tax credit would need to not just cover profit making companies, but charities, and public sector employers. Government should therefore decide how funds could best

be delivered through the tax system to ensure comprehensive coverage. Making costs redeemable through payroll taxes -such as employer national insurance contribution - could achieve this. However, the Government will need to closely examine the administrative impact of an apprenticeship tax credit, both on Government and on employers, to ensure we end up with a system that is effective and easy to use.

#### **Box 4: R&D tax credit**

R&D tax credits incentivise companies to invest in the technology-based R&D that underpins the creation and improvement of high value-added products, processes and services.

Under the scheme companies can claim tax relief against their corporation tax bill for the cost of R&D spend. The relief is given by way of an enhanced deduction, allowing firms to reduce their taxable profits or increase their taxable losses by a proportion of their R&D expenditure aimed at achieving an advance in science or technology. Large companies can claim about 7% of these costs. Companies with less than 500 full time staff and meeting qualifying turnover or gross asset criteria can claim under the more generous SME scheme. Claims are submitted together with the company's corporation tax return and are supported by a high level breakdown of the eligible R&D costs.

Since the R&D tax credit scheme was launched in 2000-01 for SMEs and 2002-03 for large companies, more than 74,000 claims have been made and over £7 billion of relief has been claimed(see: HMRC (2012) Research and Development Tax Credit Statistics

[http://www.hmrc.gov.uk/stats/corporate\\_tax/rd-introduction.pdf](http://www.hmrc.gov.uk/stats/corporate_tax/rd-introduction.pdf)).

The tax credit has led to increased investment by business in R&D. An analysis of claims up to 2010 indicated that for every £1 of tax foregone, up to £3 of R&D expenditure is stimulated (HMRC (2010) An Evaluation of Research and Development Tax Credits

<http://www.hmrc.gov.uk/research/report107.pdf>).

Using the tax system is the most direct, simplest and purest approach to delivering co-funded apprenticeships. However it represents a radical shift from the current system, and there may be other approaches which adopt the same principle of a joint investment between Government and the employer.

These include:

- **Direct co-funding by Government.** Rather than reimbursing employers through the tax system, Government could make a direct payment to employers, which reimburses a proportion of their expenditure towards apprenticeship training at the end of the apprenticeship. The principles would be similar to the tax credit – funding would be routed via the employer and payment would be made on the same basis. But this would happen outside of the tax system. However, I believe this would create a more complex and bureaucratic system for employers than routing funding via the tax system.
- **Routing via the provider.** An alternative option would be for employers to pay training organisations directly for training and then for training organisations to claim a percentage top-up from the Government. The price would be free to respond to employer demand in the same way as the tax credit, but the Government funding element would be paid direct to providers rather than via employers. This reduces the burden on the employer but also reduces their awareness

and control of Government's contribution to the cost. It also shifts the incentive and risk associated with getting the apprentice to the required standard on to the provider instead of the employer.

- **A contestable fund.** The current employer ownership pilot allows employers to put forward training proposals for Government co-investment. This allows Government to test the value of the project, and the amount employers are willing to commit, before funding the best proposals. This approach is more flexible in enabling Government to target high value, innovative projects, but is inevitably more bureaucratic. Were the scheme to be expanded the approach would need to be targeted at funding groups of employers, rather than individual firms to reduce the cost of bidding for employers, and the cost to employers in administering the scheme.

These models represent alternative ways of routing money to employers to support their investment in apprenticeships. All have in common that the employer is made the real customer, they contribute to the cost, and they purchase training from providers. While a tax credit is the purest and most effective mechanism of supporting employer investment, each of these options operates by similar principles, and each could broadly support the model of apprenticeships we have proposed. Government should explore and test the delivery mechanism in detail.

## Consequences of funding reform

The principles of employer ownership and co-investment are important for creating a system which incentivises quality and drives efficient use of both Government and private investment. However, we will need to make sure the system is as simple as possible for employers, particularly small ones. We will need to balance, on the one hand, creating strong incentives for employers to invest in training that supports the standard— e.g. by making Government funding conditional on the standard being met – with, on the

other hand, not asking employers to bear more risk or cost than is realistic or reasonable.

While employer ownership and co investment will give employers much greater control over the apprenticeship process, it need not place greater burden on them or rule out providers from offering the services they do now. Training organisations will have a strong interest in offering the best possible service to employers. For example, they will still be able to offer employers a fully rounded service if they wish to purchase it – supporting them with recruitment and HR processes, as well as with the training itself. We might even expect larger training organisations to be prepared to share some of the risk employers might face by asking for payment only when and if the apprentice successfully meets the standard.

The approach to funding will need to be carefully managed to maximise value for money for taxpayers. Genuine co-investment in training will mean that Government only funds training which employer's value, at least to some extent, and which therefore delivers real value to society. Employers will not be willing to pay for poor quality training that is of no value to them. But we want to make sure we are changing employer's behaviour, by making them spend more on the types of training that supports transferability and progression than they otherwise would. We must guard against creating a system with significant 'deadweight', whereby Government fund's activities that employers would have funded anyway. This requires Government to develop tight definitions of eligible training costs, create strong incentives to get apprentices to the standard, rigorous assessment and management of any risks of fraud.

However, it is important to note that a system that drives sensible and valuable investment in training, which is tailored to supporting the skills needed and recognised by the sector as a whole rather than just by those valued by individual employer's, is far more desirable than a system that

creates perverse incentives, with training offered for 'free' where it is not necessarily creating any value for employers or society.

Finally, the principles and models that I have suggested above would radically reform how apprenticeships are funded. This could impact the SFA, who currently have around a quarter of their budget allocated to the delivery of apprenticeships. However, the extent and nature of SFA's future role in funding apprenticeships in future would depend on the exact mechanism for distributing Government funding.

## 7. Awareness and demand

This chapter describes how to boost awareness of and demand for apprenticeships. I describe who promotes apprenticeships today, how this is done, and what the evidence is on impact. Then, I highlight issues and concerns raised by stakeholders and solutions they put forward for the future. I then describe how we should boost demand for apprenticeships in future. Much of what I have already set out in this report will stimulate demand from both employers and learners. But I believe that we must go further, and take specific action to boost awareness of and demand for apprenticeships.

### Overview

For apprenticeships to be successful there must be adequate and balanced demand for apprenticeships by employers and learners. Overall, it is our core desire to increase the number of apprenticeships in England whilst simultaneously increasing their quality. That is no small task.

The suggestions for reform already covered are focussed on improving quality and sharpening the brand. The improvement of quality should impact both on employer and learner demand: employers will no longer be put off by what they sometimes see as a low quality training experience, and with employers in control of the standard setting, the testing, the approval of the trainers and the funding flow, they will feel that apprenticeships focus on their needs and the needs of their companies. Learners will be more attracted to apprenticeships if they believe that they are receiving a consistently worthwhile experience that leads to meaningful jobs and job opportunities.

But to increase the quantity of apprenticeships, we will also need to take direct steps to increase both employer demand and learner demand. Improving quality, value and relevance will not be enough on its own to significantly boost awareness and demand. Even good quality

apprenticeships will not 'sell themselves' - there remains therefore an important role for Government to raise awareness of apprenticeships amongst learners and employers.

**In summary, I recommend that:**

- The Government actively boosts awareness of the new apprenticeship model. It should take an education based approach to this, making sure employers understand how to take on an apprentice and why it's worthwhile.
- The employer or employer consortia that set the apprenticeship standard are encouraged to play a role in actively promoting that standard across their sector.
- Government and other relevant data sources are made open and accessible in simple language and formats, so that others can connect it together to generate products that present data in meaningful, innovative and accessible ways.
- The Government, through its own web-based and other careers advice services, ensures that the apprenticeship route is offered as a genuine and valuable pathway to a successful career.
- The Government and others support employer links into schools, to raise awareness of apprenticeships and other work-based learning opportunities, including through an apprenticeship 'milk round'.

## The system today

### Influencing employer demand

Boosting the demand for apprenticeships currently happens in two ways: through direct sales and through wider communication and promotion efforts. The direct sales approach is usually undertaken by training organisations and

providers who go out and ‘sell’ apprenticeships, primarily to employers but also to some extent to learners (see chapter 6).

The National Apprenticeship Service, on behalf of the Government, has responsibility for increasing the number of Apprenticeship opportunities and has a significant sales and marketing function too. Some key NAS activity includes Apprenticeship Vacancies, an online system where employers can be matched to potential apprentices; large-scale annual events such as National Apprenticeship Week, and the Apprenticeship Ambassadors Network, which all seek to promote apprenticeship awareness and demand.

This work is then supplemented by others involved in the skills landscape, for example SSCs, local authorities and Local Enterprise Partnerships, as well as employers themselves, the UK Commission and Job Centre Plus. These organisations all use their websites and public facing activity to promote apprenticeships, as a route out of unemployment, as a way of improving the skills base, or simply as a way of accessing public funding to provide training for the workforce. However, there is little hard evidence as to the direct impact of this work in terms of driving apprenticeship volumes.

Government also works to raise the political and public profile of apprenticeships. As well as their primary activities - funding of training, funding the NAS, and wider financial incentives such as the Apprenticeship Grant for Employers - they also undertake broader measures, such as encouraging take-up of apprenticeships through the public sector workforce.

Despite all of this activity, awareness of apprenticeships by employers remains very mixed, and engagement with apprenticeships remains below levels seen in many other countries. Some recent measures of awareness are set out in the UKCES, 2012 Employers Perspectives Survey (Forthcoming).<sup>36</sup> They show that almost a fifth of employers said that they

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<sup>36</sup> UKCEPS, Employer Perspectives Survey, 2012 (forthcoming).

had either *not heard the term* 'Apprenticeship' or had heard it but did not know what was involved. Only 10% of establishments in England had staff currently undertaking apprenticeships.

Awareness of the National Apprenticeship Service and reported use of its services by employers remained relatively low. Whilst awareness rose from 19% to 24% between 2010 and 2012, its use was only reported by 4% of establishments. And only 15% of employers reported that they had heard of the Apprenticeship vacancies online tool with 2% use reported.<sup>37</sup>

### Influencing Learner Demand

Many school leavers do not consider apprenticeships as an option. The Association of Colleges survey (2011)<sup>38</sup> showed that only 7% of year 10 pupils named apprenticeships as a post GCSE option. DfE destinations data showed that only 4% of KS4 learners went onto an Apprenticeship from school in 8/9, and only 2% of the KS5 cohort.<sup>39</sup>

Schools and colleges play a key role in informing young people about the opportunities available to them. The Education Act 2011 placed a new statutory duty on schools to secure access to independent careers guidance for all pupils in years 9 to 11 from September 2012. In the guidance it was made clear that this should include information on all the options available in 16-18 education and training, *including apprenticeships*, and should be impartial and independent, that is 'provided by persons other than those employed at the school'.

Alongside this, careers advice services for adults include the National Careers Service which offers a web-based, telephone and face to face service to provide individuals with careers advice and information to help them make decisions on learning, training and work opportunities.

<sup>37</sup> UKCEPS, Employer Perspectives Survey, 2012 (forthcoming).

<sup>38</sup> Survey of Young People, September 2011, at [www.aoc.co.uk](http://www.aoc.co.uk)

<sup>39</sup> DfE Statistics and Research Schools Destination Measures: <http://www.education.gov.uk/rsgateway/DB/STA/t001076/index.shtml>

## Views from stakeholders

- "a tax incentive would be the most effective means to encourage employers to train more and/or adopt apprenticeships." (**People1st**)
- "There is anecdotal evidence from [the] companies that they have been prevented by schools from talking to young people .... (**Hoile Associates representing a consortium of engineering consultancy practices**)
- "Learners seek apprenticeships if schemes are of high quality and lead to employment and a career. Employers seek to employ people with the right skill set. The solution is to marry the two. This will lead to more employers getting involved as they see their competitors benefiting." (**Siemens**)

Stakeholders cited five main factors holding back demand for apprenticeships. Firstly, stakeholders commented fairly consistently about the importance of boosting demand by getting the product right.<sup>40</sup> However, many employers argued that this is currently being hampered, with apprenticeship standards and quality of training too low. Some criticised the SASE as setting the bar too low.

Secondly, there is a clear lack of parity of esteem for apprenticeships when considered alongside higher education. Some said apprenticeships can often attract lower qualified young people – who need to build up remedial skills - which can be off-putting to some employers. A relative lack of demand from more highly qualified school leavers, who are being attracted into Higher Education instead, impacts significantly on employers' appetite for taking on apprentices.<sup>41</sup>

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<sup>40</sup> The TUC said that "*the best way to boost demand for apprenticeships in public perception... is to build confidence in the apprenticeships brand. Quality is the key to doing this.*"

<sup>41</sup> London Councils said that "Apprenticeships should be promoted to all learners on the same footing as A Levels and Higher Education. Teachers and parents also need better

Thirdly, although some respondents were very positive about the contributions made by the National Apprenticeship Service, Group Training Associations, providers and LEPs in helping employers to navigate the current apprenticeship system, a serious barrier expressed by many was the sheer complexity - both in terms of the number of bodies involved in the current system and, more commonly cited, the issues around access to apprenticeships and the perceived lack of a single point of contact.<sup>42</sup> There was also the suggestion that more guidance would be helpful for SMEs to help them to assess current and future training needs, or that that local access points should be set up to provide employers and individuals with advice and support. Others suggested that NAS's role should be more focussed on becoming an easier to access, one-stop-shop for apprenticeships.

Fourthly, there was perceived poor quality, driven by some poor providers who either have no relevant curriculum or, as cited in previous sections, focus on driving 'easy to deliver' units rather than products directly relevant to employers.

There were several suggestions made that industry ambassadors and ex-apprentices going into schools and attending career fairs should be more common practice. Suggestions around a more pro-active way for employers to engage directly with school pupils on Apprenticeships were made.<sup>43</sup>

Finally, the most commonly cited barrier to demand for learners was the perceived lack of impartial, information and advice, which includes information on apprenticeships, available to all learners, especially though not exclusively at school, and offered early enough to inform subject choices at GCSE. Many

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information, and to have their prejudices challenged about the relative status and value of apprenticeships and HE".

<sup>42</sup> The complexity of the system means that "*employers require more support to set up apprenticeship programmes than policy makers and funding agencies might imagine*" (The Lancashire Colleges).

<sup>43</sup> "Just as universities have open days, so industry needs to open its doors to schools for visits to show young people different working contexts and broaden their minds to career options." (City & Guilds)

respondents suggested that apprenticeships should be set out as one of the many options using factual information for example likely wage returns and costs. Many others acknowledged the role that parents and friends played in setting expectations and norms and that these also needed to be challenged.

## The future approach

When the Government looks to build an apprenticeship system fit for the future, it must tackle the question of employer and learner demand head on. I fundamentally believe that the best approach to stimulating demand from both employers and learners is to ensure that the product is right, and that the recommendations and approach already set out in the earlier chapters, for example direct employer engagement in the standard setting, through to routing funding via the employer, will in and of themselves begin to ensure that demand and awareness is high.

However it will not be enough simply to get the product right and let it speak for itself; nor will it be sufficient to simply ensure the incentives of the various players in the system are suitably aligned, although both these things will be necessary for growth of the programme. Demand, both of employers and learners, has to be actively encouraged – this is a core task of Government, albeit one best fulfilled by others on its behalf. It will be an ongoing challenge, and one which will require investment and the joint efforts of a broad coalition.

The number of apprenticeship places has already increased considerably – but the pace of learner demand has not been matched by employers' willingness to hire them as apprentices, especially for the younger age group. Employer demand therefore is correctly a key focus, but learner demand is an important challenge which must not be overlooked – while overall it is strong, this conceals considerable variations, with too few young people, and particularly too few of the most capable young people, informed about and choosing apprenticeships.

Employers themselves are the most effective advocates for apprenticeships and the people other employers are most likely to listen to. Large employers in particular have a key role to play in demonstrating visibly the role that apprenticeships can play in successful, growing businesses. And in this respect it is important that the government itself leads by example, not simply by employing apprentices within the civil service and public sector, but by looking for opportunities to train apprentices in higher level skills for high skilled jobs, demonstrating that the apprenticeship route can be an effective pathway to professional success - much as some of the leading professional service firms are now starting to do.

### **Simplifying the landscape and messages**

Trying to get a product endorsed only succeeds if those promoting it have a genuine belief in the benefits. The new model we are proposing will have far greater direct employer engagement, use of the tax system will automatically increase awareness, and the wider changes will improve sector and learner buy-in and will increase demand as a result.

However there will continue to be a need to make sure that both employers and future apprentices are aware of apprenticeships and understand the benefits to themselves and their business. So there is a strong case for restating what we mean by an Apprenticeship. The messaging can then be simplified and straightforward, and may mean that there is less need to rely on intermediaries who aim to interpret and explain this message on behalf of the Government and its agencies.

I recommend then that Government should review all of its websites and those of its agencies to ensure that they are presenting information on Apprenticeships in the most accessible and user friendly way possible, based on a thorough understanding of the learner and employer journeys. This should involve, but not be limited to the NAS website.

## **An educational rather than sales based approach to stimulate demand**

The sales forces, currently in the form of training providers, will continue to have a role in the new system, although the focus will be on winning businesses from apprenticeship employers in a competitive market rather than selling their stock of places. Under current arrangements, the focus is too often on selling apprenticeships, often emphasising that they are free, easy and simple, rather than focussing on their real value, the extent to which this value depends on quality, employer commitment and involvement, and the nature of apprenticeship as an investment for both the learner and employer

I believe that the Government, with its limited resources, should focus its efforts on enabling employers to really learn about what apprenticeships are and how to deliver them, rather than pursuing a sales based approach to expansion of apprenticeships as it does now. This could take the form of a new bespoke programme or it could build on some of the work already being undertaken by the NAS Large Employers Service.

Also, Government, through NAS and other employer networks and engagement, should increase the levels of mentoring, coaching and brokerage support that exist to help smaller employers with less capacity to take on an apprentice

I also support Jason Holt's recommendations around the role of intermediaries who employers listen to, and how they can play a role in educating employers about apprenticeships. And I suggest that the role of existing employer networks, such as the Apprenticeships Ambassadors Network, should be reviewed to ensure that they are operating effectively, aligning their efforts efficiently, and finding innovative ways to reach out to a wider pool of employers.

Finally to further increase demand for apprentices, the employer or employer consortia that design the standard should be encouraged to help to promote apprenticeships in their sector. Ensuring that their standard is adopted across

their sector is a key role that we should establish as part of the competitive process.

### **Increasing learner demand**

Currently, too few young people, and too few of their parents, friends, teachers and those they look to for advice, see apprenticeships as a credible, valuable option. An Apprenticeship needs to be seen as a career path, not just a job, and as a positive choice rather than an option of last resort.

School performance tables and measures are an important tool in shifting, over time, what schools and school leaders value. Greater emphasis should be placed on school performance measures pertaining to apprenticeships - at 16 as well as 18 - so that progression onto apprenticeships, as well as exam results and entry to higher education are visible and valued. I am encouraged that this is beginning to occur, but more needs to be done to make this a consistent and prominent measure.

I also believe that learner demand is currently being artificially held back. During this review I heard too often that too many schools are doing little to inform their pupils that apprenticeships are a viable alternative to university, and in some cases are actively deterring capable pupils from pursuing this route.

Of course in some cases today, teachers are right not to encourage their pupils to pursue apprenticeships, where the apprenticeships concerned are of relatively poor quality or would not be an optimal choice for that pupil. But this should not result in teachers disregarding apprenticeships *per se*, and as a result failing to inform pupils of the good apprenticeship options available – and certainly should not in future, when we hope all apprenticeships will be of good quality.

Schools' actions today may also to some degree result from an information failure: teachers with a dated view of apprenticeships - who they are for and

the prospects they offer - passing on poor information. But it goes beyond this - schools are financially incentivised to retain pupils in their sixth forms, and to a large extent, despite the recent introduction of new destination measures which recognise a wider range of outcomes, continue to measure their own success on the number of students they get into university. Thus apprenticeships are, in the best of cases, ignored and in the worst cases, actively discouraged.

Of course, not all schools are remiss in providing impartial information, but the number and consistency of the stories that arose during our consultation paints a worrying picture that bears highlighting. It is the policy of the current Government to give schools a great deal of freedom to help students direct their future. That is a freedom that should not be abused.

One thing the Government can and should do is to encourage awareness of apprenticeships through other means. The time is long past when schools and parents are the only means of reaching learners. The web and social media are the largest influencers and communication channels for young people.

Therefore in recognition that Government is at its strongest when it creates the conditions for others to market to young people and employers. I recommend that all information relating to apprenticeships which the Government or its agencies collects and holds should routinely be made available through an application program interface (API) and through syndication. This way any organisation would be able to extract and use information about apprenticeships, much of which is currently held by NAS in their website. And any other public entity that holds useful information and data, for example on wages, employment opportunities, returns on investment, should be made equally available so that all meta-data is tagged in a coordinated fashion.

The result of this approach means that both non-profit and profitable entities can reach out and use the information for their own purposes. I am aware of

the UKCES LMI for all project that seeks to do this for core sets of Labour Market Intelligence, and that the Apprenticeships Vacancies online has an API – however this recommendation needs to be applied consistently and as a priority to ensure that these tools are in place to support employers and learners in their decision making.

For example local organisations such as LEPs could publish info about local apprenticeships; private companies that provide career guidance could set up more elaborate systems to help students make better choices; facebook apps and mobile apps could be created to help employers and students choose and rate various offerings. Open data will drive new uses, far beyond what Government could or should design or plan itself.

### **Bringing employers and learners closer together**

Finally, for the benefit of both learners and employers, I recommend that Government should encourage or support an apprenticeship ‘milk round’, to allow young people to have the opportunity to be presented, in an objective way, with alternative pathways they might choose to take post 16 and post 19. This would allow a greater proportion of employers to talk to young people directly than individual schools can manage, or choose to facilitate, at present. While schools are sometimes reluctant to deal directly with employers, I do believe there would be more of a willingness to send students to events where they can learn more about apprenticeships from employers and explore their options. And these events should be open to all young people, regardless of whether or not their school chooses to support and promote them.

Some employers already engage with schools but this is on an ad hoc basis; a regular, well-branded and visible Apprenticeship Milk Round – or other activities along similar lines - would help to coordinate this activity and make it accessible to more young people, with national and local apprenticeship employers engaging with schools every year to communicate and promote their apprenticeship options. Limited employer resources preclude employers visiting a large number of individual schools across the country. For example,

even large employers such as BAE, only limit themselves to approximately 35 universities when undertaking their undergraduate Milk Round. But there need to be better opportunities for local employers to work in partnership with clusters of schools, federations of Academies, or LEPs. This would bring about the economies of scale for both the schools and the employers to make participation worthwhile.

These sorts of events could take advantage of already existing regional events. For example, the regional UK Skills Shows could also serve the purpose of being a recruitment event (as well as a competition), where local school pupils can find out about apprenticeship offers directly from employers. This would help maximise the opportunity presented by having a large number of apprenticeship employers gathered in one place at the same time

## **Consequences of proposals for boosting demand**

Government has a critical role to play in promoting apprenticeships, but it cannot and should not seek to deliver this challenge on its own. Genuinely opening up apprenticeships to new employers and new learners will require not simply targeted communications and information, but a much broader culture change – challenging public perceptions of apprenticeships much more widely, over a long timeframe.

In taking on this challenge, Government has to carefully consider what role it should and should not seek to play – and key to this will be the optimal future role of a national apprenticeship service.

The National Apprenticeship Service fulfils a wide range of functions today, directly or via the Skills Funding Agency, to support and manage the delivery of apprenticeships. At the core of NAS's resources and mode of operation is a

focus on boosting employer and learner demand, through its sales and marketing functions.

In the course of this review I heard mixed views on how well these various functions are delivered now by NAS, but a strong commitment to the need for a single organisation to oversee apprenticeships and ideally act as a 'one stop shop' for those wishing to engage in the programme.

In light of the recommendations made throughout this report, as well as the issues raised in this chapter in particular, Government should review NAS's functions to firstly assess whether each of these functions is best delivered by a Government agency, or whether it would be best done elsewhere; and secondly to assess how NAS's role and mode of operation as a whole should be revised to reflect the changes to the apprenticeships programme which we recommend.

## Annex A: Terms of Reference

The Richard Review of terms of reference (June 2012)

### Summary

1. The Government wishes to commission an independent review of apprenticeships in England, to ensure that in the future the programme is meeting the needs of the changing economy, consistently delivers the professionally recognised qualifications and skills which employers and learners need, and is maximising the impact of government investment.

### Detail

2. To be led by a senior, independent business figure, the review should take critical look at apprenticeships and look to identify a set of principles and priorities for the optimal content of future apprenticeships, to ensure that every apprenticeship delivers new high quality training and professionally recognised qualifications.

3. The review should identify the best of current practice and recommend ways to extend this.

4. Key questions to be considered include:

- What should the core components of an apprenticeship be - to meet the needs of employers (large and small), individuals, and the wider economy?
- Who should apprenticeships be for – which types of learners and employers can benefit most from apprenticeships?
- Are there elements of apprenticeships which should be simplified or stripped back?

- Are the qualifications which are undertaken as part of an apprenticeship sufficiently rigorous, and recognised and valued by employers?
- How should delivery arrangements adequately ensure all that apprenticeships provide significant new learning and acquisition of new skills, rather than the accreditation of existing ones?
- Are there opportunities to improve the impact and value for money of public investment in apprenticeships?

### Timing

5. The review should report in Autumn 2012.

## Annex B: Acknowledgements and Contributors

I want to take the opportunity to thank all of those individuals and organisations who took the time to feed into the review process, either through submitting written evidence, meeting or speaking with me and members of the review team, and giving up their time to attend various stakeholder reference groups. Your input has made a significant and valued contribution to my report and its recommendations.

157 Group	Berthon Boat Company Ltd	Centre for Economic Performance
Acute Marketing	Bradford College	Centreport
Adventure Activities Licensing Service	Bright Future Software Limited	Chartered Institute of Personnel and Development (CIPD)
Age UK	British Association of Construction Heads	Chartered Institute of Plumbing and Heating Engineering
Airbus	British Chambers of Commerce	Chelmsford Electrical Ltd
The Albatross Group	British Constructional Steelwork Association Ltd	Cherwell District Council
Alliance of Sector Skills Councils	British Dyslexia Association	Cheshire East Council
Apprenticeship Ambassadors Network	British Fashion Council	Chesterfield Borough Council
Aspire Achieve Advance Limited	British Marine Federation	City & Guilds
Asset Skills	The British Private Equity and Venture Capital Association	City College Southampton
Association of Accounting Technicians	British Retail Consortium	City of London Law Society
Association of Colleges	British Woodworking Federation	City of Plymouth College
Association of Employment and Learning Providers	BT Group	Civil Engineering Contractors Association
Association of School and College Leaders	Buckinghamshire Business First	Clarkson Evans Training LTD
Association of Teachers and Lecturers	Buckinghamshire County Council Skills Group	Cogent SSC
BAA Airports Limited	Building & Engineering Services Association	College Public Policy
Babcock International Group	The Business Services Association	Community Service Volunteers
BAE Systems plc	CACHE	CITB -Construction Skills
Baker Dearing Trust	Calderdale College	Confederation of Apprenticeship Training Agencies
Barchester Healthcare	Cambridge Assessment	CBI
Barclays		Construction Skills Certification

Barnsley College Helen Baxter	Carillion Central Sussex College	Scheme Crafts Council
Creative & Cultural Skills Creative Skillset	Glencoe Outdoor Centre Greater Manchester Chamber of Commerce	The Lancashire Colleges Lancashire County Council
DAF Trucks	The Greater Manchester Local Enterprise Partnership	Landex
DEMOS	Joanne Green	LANTRA
DIVA	Group Training Association England	Learndirect
Doosan Power Systems Response	Ian Hambleton The Hair and Beauty Industry Authority Lord Heseltine	Learning and Skills Improvement Service (LSIS).
Easton and Otley College	Highbury College	Leeds City Region LEP Employment and Skills Board Leeds College of Building
Edge	Hilton Worldwide	Leicester College
Education for Engineering	Hoile Associates Ltd	The Leicestershire Adult Learning Service
Education Funding Agency	Jason Holt	Dr Gwyn James Llewellyn
EEF the manufacturers' organisation	HRH, The Duke of York	Lifetime
Elementz	Improve	Lift and Escalator Industry Association
Energy & Utility Skills Ltd	Inspiring Interns	Liverpool City Region Employment & Skills Board Liverpool Community College
Engineering and Machinery Alliance	Institute for Learning	LNT Group
Engineering Construction Industry Training Board (ECITB)	Institute for Outdoor Learning	London Citizens
England Woodland & Timber Partnership's	Institute of Chartered Accountants in England and Wales	London First
English Outdoor Council	Institute of Directors	Local Government Association
Equality and Human Rights Commission	Institute of Education	The London College of Beauty Therapy
e-skills	Institute of Motor Industry	London Councils
Eventia	Institute of Public Policy and Research	London WBL Alliance
Fashion Retail Academy	Institute of Practitioners in Advertising (IPA)	Low Pay Commission
Federation of Awarding Bodies	Institute of Water	Manchester College
Federation of Small Businesses	Ixion Holdings Ltd Jackson Lift Group	Maritime Skills Alliance
Field Studies Council	Jaguar Land Rover	Mark Blakes
Financial Skills Partnership	JAMES	Marks and Spencer
The Football Association	JHP Group	Martyn Sloman
Allison Fuller	KAO (UK) Limited	Adrian Maudsley
Gateshead Council	Kent County Council	McDonald's Restaurants Ltd
Gatsby Charitable Foundation	Kingston College	
The Gazelle Group	Laing O'Rourke	

Newcastle UXL	Royal Society of Chemistry	Telford College
NHS	Russell Group of Universities	Tesco
Nisai Virtual Academy	Lord Sainsbury	UK Chamber of Shipping and the Merchant Navy Training Board
Northumbria Learning Providers	Sainsburys	UK Contractors Group
Organisation for Economic Cooperation and Development	Science Council	UK Electronics Alliance
OCR	Second Chance	UKCES
Ofsted	SEMTA	Unilever
The Open University	Sheffield Park Academy	Union Learn
OPITO	Siemens plc	Union of Construction, Allied Trades and Technicians
Optimity	Simply Engaging Ltd	Unite
Oxfordshire County Council	Skills Funding Agency	Universal Services
Paddington Academy	Skills Active	University of Derby
Partnership Development Solutions	Skills for Health	University Vocational Awards Council
Pearson in Practice	Skills for Justice	Usdaw
Pearson International	Skills for logistics	Lorna Unwin
Pennine Lancashire Employment and Skills Board	Skillsactive	Eric Van der Kliej
People First	Skill Net	Walesby Forest Outdoor Adventure Centre
Petroc	The Society of Motor Manufacturers & Traders Limited	Walsall College
PGL Travel	South Leicestershire College	Alison Wolf
PM Training	South Oxfordshire and Vale of White Horse District Councils	Wolverhampton City Council
Poortman	South Tees NHS Trust	The Womens Business Council
Project Choice	South Worcestershire College	Workers Educational Association
Proskills UK	Southampton FC	Workingrite
PWC	St Mary's Training Centre	Working Links
Pyronix	Dr Hilary Steedman	The Work Foundation
ResPublica	Stoke-on-Trent and Staffordshire LEP	YMCA Training – Ipswich
RMT - National Policy Dept	Suffolk County Council	The Young Foundation
Rolls Royce	Suffolk New College	Youth Action Group
Royal College of Midwives	SummitSkills	XL Pools
	Sunseeker International Ltd	
	Tees Valley Unlimited	

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