

# The Role of Training Allowances in Incentivising the Behaviour of Young People and Employers

Thomas Spielhofer, Julie Nelson,  
Lisa O'Donnell and David Sims

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# 1. Introduction

## 1.1 Policy context

Providing young people with the opportunities to learn, achieve and enhance their employability is a vital aspect of the Government's Skills Strategy. The Skills White Paper (GB. Parliament, HoC, 2005, Part 1, Overview) emphasised that realising the measures of success in the 14-19 reforms and Skills Strategy 'would mean that it becomes near universal for young people to stay on in some form of education and training at least until the age of 18, and that when they enter the labour market they have the skills and qualifications that employers value' (p. 8). The issue of what incentives, if any, are required to encourage young people aged 16 and over to participate in education and training is significant.

The Minimum Training Allowance (MTA) was introduced to provide financial support to non-employed learners aged 16 to 24. According to the LSC (2004), non-employed young people in apprenticeships as well as non-employed participants in Entry to Employment and NVQ learning are eligible to receive the MTA. Administered by the Learning and Skills Council (LSC), which has responsibility for planning and funding work-based learning in England, the MTA is set at £40 per week, though there is flexibility for Local Learning and Skills Councils (LLSCs) to pay more depending on local circumstances. It can be difficult to understand the source of a trainee's financial support as some trainees may receive an MTA plus a top-up from their employer and may not be aware that they are receiving a training allowance rather than a wage. Although the MTA treats trainees as independent adults by guaranteeing them a weekly allowance paid directly to them, it can affect a household's entitlement to other benefits such as Child Benefit.

In its consultation paper, *Supporting young people to achieve: towards a new deal for skills* (HM Treasury *et al.*, 2004), the Government set out the case for developing a single, coherent system of financial support for young people aged 16 to 19. The paper noted that the package for young people in full-time education from low-income households would 'be far more generous than for those receiving the MTA' as the Educational Maintenance Allowance (EMA) of £30 per week was payable on top of the family's benefits and tax credits. In its response to the consultation (HM Treasury *et al.*, 2005), the Government stated that 'the current model of financial support for young people in full-time education is the right one to build on' (p. 11). The LSC underlined the importance of this:

*The move towards a single system of financial support across schools, colleges and among certain training programmes creates a level playing field. It will help learners choose the most appropriate course for them, without being swayed by monetary factors. It will also ensure more young people are able to continue in learning so that they achieve the basic level of qualifications needed to succeed in life and boost their future earning power.*

LSC, 2005a

From April 2006, the EMA will be extended to young people training through Entry to Employment and Programme Led Pathways (PLPs).<sup>1</sup> PLPs include non-employed learners on an apprenticeship funded through work-based learning. Young people on a PLP will from 10 April 2006 onwards be eligible to apply for and receive (subject to eligibility) EMA. LSC stated that after the extension of EMA to PLPs, the maximum weekly amount available to the young person's household will be £90 compared to £40 under the MTA (LSC, 2005a; LSC 2006). In its EMA Extension Update (LSC, 2005b), the LSC's EMA Unit explained that EMAs were income assessed and that learners had to meet the terms of their learning agreement in order to get EMA payments and bonuses. A recent LSC briefing document (LSC, 2006) stated that providers are encouraged to convert PLP apprentices into employer-led apprentices well before the mid point of their programmes. Following conversion to an employer-led apprenticeship, trainees will receive wages from their employer of at least £80 per week.

## 1.2 Aims and objectives

The overarching aims of the research were to explore the use and operation of training allowances, and to investigate the impact that they have on the behaviour of young people and on employers.

More specifically, the objectives of the study were to:

- develop a better understanding of how training allowances influence young people's decisions to enter, and remain in, vocational training programmes
- determine what impact the availability of training allowances has on employers offering training opportunities.

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<sup>1</sup> It is worth noting that this study did not focus on the impact of training allowances or other funding on young people on E2E programmes, but only on those on full apprenticeships. References to the extension of EMA will in the remaining report, therefore, only refer to young people on PLPs.

The research also covered a range of more detailed research questions, which grouped together, form the basis of the following chapters in the report. Details of the methodology used in this research are outlined below.

## 1.3 Methodology and data sources

In order to achieve the aims and objectives detailed above, the evaluation drew on a range of research methods. These included:

- An initial scoping study, involving interviews with trainees, training providers and employers.
- A questionnaire survey of a representative sample of 5,000 trainees.
- Telephone surveys of 25 training providers, 62 employers and 40 Local Learning and Skills Councils (LLSCs).

Each of these methods are discussed in further detail in the following sections.

### 1.3.1 Scoping study

In order to scope some of the key issues around the implementation of training allowances, and to inform later stages of the research (particularly the development of the survey instruments), a small-scale exploratory study was undertaken at the beginning of the study (June-July 2005). This involved:

- Telephone interviews with:
  - **15 trainees**, randomly selected from the Individualised Learner Record (ILR) (13 were currently undertaking some form of work-based training, while two had undertaken training in the past)
  - **three training providers** (interviews were conducted with the managing directors/heads of two national and one regional training providers)
  - **two employers** who were offering work-based learning placements.
- A visit to the LSC National Office, in order to gain key organisational and delivery perspectives on MTAs.

### 1.3.2 Trainee survey

In order to provide an overview of the financial support of unwaged trainees, a large-scale questionnaire survey of trainees was conducted. From the whole ILR database, a sample population of around 20,000 trainees was created using the following variables as selection criteria:

- **employment status** – only those who were categorised as unwaged on the first day of their apprenticeship

- **LSC funding information** – only those on work-based learning programmes
- **programme type** – only those on an Apprenticeship or Advanced Apprenticeship<sup>2</sup>
- **age** – only those aged 16-24
- **length of time on programme** – only those who started their training within the last three years, and, if they had left their training, only those who left within the last three months.

A sample of 5,000 trainees was then drawn from this population, to be representative in terms of the following characteristics:

- whether the trainee was on an Apprenticeship or an Advanced Apprenticeship
- whether the trainee was still on programme or had left/completed their training
- age of trainees
- gender of trainees
- occupational sector.

The questionnaire was sent to the home addresses (as specified in the ILR) of these trainees in September 2005, and a total of 1,588 were returned (representing a response rate of 33 per cent). The young people who responded to the survey were broadly representative of all trainees, as illustrated in Appendix A, except in terms of their gender – a greater proportion of the respondents were female than was the case in the trainee population as a whole.

The survey contained questions that related to:

- trainees' reasons for starting an apprenticeship, including the extent to which the availability of a training allowance influenced their decision
- their current experience of training, including the amount they were paid
- how trainees found out about the availability of a training allowance, and who provided this information
- the impact of the training allowance on any other individual or family benefits
- the extent to which trainees received financial support in addition to a training allowance
- their views on the adequacy of the financial support they received
- whether trainees planned to continue with their training.

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<sup>2</sup> The term 'apprenticeship' is used throughout the report to refer to both the Apprenticeship and Advanced Apprenticeship programmes together. Differences between these types of programme are reported where appropriate.

Respondents were also asked to provide contact details of any employers that they had worked with as part of their apprenticeship, for use in the telephone survey of employers (see Section 1.3.4).

Trainees' responses to the questionnaire were linked to their background details held on the ILR, in order to explore the extent of any differences in experience by characteristics such as programme type, occupational sector of apprenticeship, gender and age.

### 1.3.3 Training provider survey

In order to explore in detail the implementation of training allowances, a telephone survey of 25 training providers was conducted. From a database of all training organisations in England, provided by the LSC, a sample of 100 was selected according to the following criteria:

- **Size of organisation** – the training providers were divided into ten bands according to their size (the amount of money allocated to the organisation was used as an indicator of this), to ensure a spread of small, medium sized and large organisations.
- **The proportion of trainees with additional learner support (ALS) needs** – the amount of money allocated for additional learner support, as a proportion of the total amount allocated to the organisation, was used as an indicator of this. The ten training providers within each size band with the highest proportion of ALS funding were selected, as it was likely that these organisations would have more trainees receiving the MTA.
- **Geography** – the selected training providers had a broad geographical spread across England (North/Midlands/South), with slightly more being based in the North (11 providers) than in the other two regions (eight in the South and six in the Midlands).

Telephone interviews were carried out with a member of staff (most commonly a manager, or the managing director) in 25 training provider organisations. These organisations included four Further Education Colleges, and four Borough Councils, while the remaining organisations were private training providers.

These interviews explored respondents' views on:

- the financial support that their trainees received, including the rate of MTA
- the extent to which young people and employers understood the MTA
- the extent to which the MTA acted as an incentive to start and complete an apprenticeship
- whether the MTA acted as an incentive to employers to train young people
- the extension of the EMA.

### 1.3.4 Employer survey

The report also draws on telephone interviews with 62 employers who had been identified as offering work-based training opportunities to young people. The sample of employers was an opportunity sample, identified through the following sources:

- **Survey of trainees** – trainees were asked to provide, on the questionnaire, contact details of any employers that they had worked with as part of their apprenticeship.
- **Interviews with training providers** – the training providers who took part in the telephone survey were asked to identify any employers that they work with who have work-based trainees aged 16-19 and have direct or indirect experience of the MTA.

The achieved sample of employers included a range of different sized companies. Thirty four of the responding employers had other establishments in the UK, while 28 of the employers had only one establishment. As regards industrial sector, 13 of the 62 employers were working in the childcare sector, and 12 were in health care and public services. Otherwise, there was a broad spread of employers across a range of other sectors (see Appendix B for further background information about the responding sample of employers).

The interviews with employers explored the following:

- employers' awareness of the MTA, including how they found out about it, and who provided this information, and what other information they would like
- the financial support that their apprentices received
- the extent to which the MTA allowed them to recruit more, or different types of, young people than they would otherwise
- their views on the extension of the EMA.

### 1.3.5 LLSC survey

The NFER research team conducted telephone interviews with 40 of the 47 LLSCs, in order to explore the different approaches used by these organisations to implement the MTA.

Since some of the information required of respondents consisted of quantitative data, including, for example, the number of apprentices the LLSC funds each year, the proportion receiving an MTA, and apprenticeship completion rates, LLSCs were sent a simple proforma prior to the telephone interview. The interview itself was used to complete this proforma, and to investigate respondents' views on:

- the factors taken into consideration by the LLSC when determining the level of MTA provided to apprentices
- the extent to which the MTA was seen as acting as an incentive to young people and employers to engage in/offer training opportunities
- the extent of any advice or guidelines provided to training providers or employers on the use of the MTA
- the extension of the EMA.

## 1.4 Structure of the report

The remainder of the report is structured as follows:

**Chapter 2** explores different stakeholders' levels of awareness of training allowances, and outlines how information about them is presented to employers and young people.

**Chapter 3** discusses the payment of training allowances, including the range of payment experiences of apprentices and, the factors affecting the rates of training allowance.

**Chapter 4** examines apprentices' views on training allowances. It focuses on their views on the adequacy of the financial support they receive, the extent to which training allowances act as incentives for young people to start and complete apprenticeships, and the impact of training allowances on trainees and their families.

**Chapter 5** explores other stakeholders' views on training allowances, including LLSCs, training providers and employers. This chapter presents their perceptions on the adequacy of financial support for trainees, and on the incentive effects of training allowances on the take-up and use of apprenticeships, as well as their views on the current system.

**Chapter 6** presents stakeholders' views and awareness of the planned funding reforms, including the introduction of the EMA for unwaged trainees, and the changes to the funding of waged trainees.

Finally, **Chapter 7** presents the main conclusions from the evaluation of the role of training allowances and suggests some recommendations for future policy and practice.



## 2. Awareness of training allowances

### Key findings

- Training providers generally believed that most unwaged apprentices knew they were in receipt of a training allowance. This finding was borne out in responses received from apprentices themselves – seventy per cent said that they had heard of the term ‘Training Allowance’.
- Survey responses indicated that the greatest levels of awareness were apparent amongst young people working in the childcare, business administration, retail and customer service, land-based, and engineering and manufacturing sectors.
- Just over half of the 62 employers interviewed (35) said that they were familiar with the term ‘Training Allowance’. Training providers pointed out that some employers had a mistaken view of the purpose and appropriate usage of the funding, however. It is perhaps not surprising that a sizeable minority of employers (27) were unfamiliar with the term, given that around one half of these employers employed waged apprentices only.
- Most of the 35 employers who were familiar with the term ‘Training Allowance’ identified nationally agreed features, usually correctly. However, a smaller number of employers clearly regarded training allowances as a source of funding for their own benefit, which removed the ‘risk’ of investing in an apprentice who may turn out to be unsuitable.
- LLSCs generally provided advice and guidelines about Training Allowances to colleges and training providers, whilst it was normally regarded as the job of training providers and Connexions Services to explain or promote the details to young people and employers. Young people’s responses to the survey supported this finding in that 43 per cent said that they had heard about training allowances through their college or training organisation and 37 per cent identified a Connexions Service Personal Adviser.

### 2.1 Introduction

This chapter discusses different stakeholders’ levels of awareness of training allowances, and outlines how information about them is presented to employers and young people.

### 2.2 Knowledge and awareness of training allowances

As part of the research, employers, training providers, LLSCs and apprentices were asked about the extent of their awareness of training allowances, and also

about their perceptions of the levels of awareness of different stakeholder groups. The first section considers apprentices' awareness of the funding.

### **2.2.1 Apprentices' awareness of training allowances**

Training providers generally believed that most unwaged apprentices were aware, or at least should be aware, of the fact that they were in receipt of a training allowance. Twenty three of the 25 training providers interviewed said that unwaged apprentices in their areas were given information about the source of their funding, with 12 specifying that they informed these young people through specially designed induction packs, induction sessions, or talks organised by the training provider or college. Four stated that unwaged apprentices in their areas knew that the training allowance they received was for an initial period only, with subsequent paid employment likely, if not guaranteed.

This level of reported awareness was borne out in the responses received from apprentices themselves, where 70 per cent of the 1,528 young people responding to the survey said that they had heard of the term 'training allowance'. Of those that had heard of the term (1,069 individuals), 82 per cent reported having been aware, before they embarked upon their apprenticeships, that they could get such an allowance (which corresponds with 57 per cent of all respondents). Whether the young people were Apprentices or Advanced Apprentices appeared to have very little bearing upon their levels of awareness. However, the extent of their awareness of training allowances did appear to differ according to the occupational sector in which they worked. For example, greatest levels of awareness were apparent in the following sectors, where the following percentages of young people had heard of the term:

- childcare (75 per cent) – reasons for this high level of awareness are explored in Chapter 5
- business administration (73 per cent)
- retail and customer service (73 per cent)
- land-based occupations (71 per cent)
- engineering and manufacturing (70 per cent).

Fewer young people in construction (64 per cent) and the hair and beauty (54 per cent) sectors were able to say that they had heard of the term training allowance.<sup>3</sup>

Whilst most unwaged apprentices were reported to be aware that they were in receipt of a training allowance, many training providers commented that the

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<sup>3</sup> The numbers of young people working in the leisure, sport and travel; media and design; IT; and hospitality sectors were too small to include in this analysis.

young people were often not particularly aware of, nor interested in, the source of that funding. As one indicated: 'They are not interested in the detail as long as they get it.' Only a small number of training providers reported that their trainees knew the source of their funding (via LLSCs and training providers) very well. One commented: 'They are very aware [of the training allowance]...They know where it comes from.'

Amongst those training providers who expressed a view, there was a sense that most unwaged apprentices were grateful to be in receipt of a training allowance, although they saw it as less preferable than a wage: 'Young people prefer to have a wage to receiving the training allowance, but a lot are generally glad of it.' Training providers reported that most unwaged apprentices accepted training allowances as a 'temporary measure' enabling them to gain training and employment experience with a view to moving into waged employment. Very few reported that unwaged apprentices complained about the level of funding received through their training allowances. However, the negative impact of receiving a training allowance upon family benefits, and the fact that some young people were reported to receive more than others because their employers were willing to subsidise their allowances, was said to have caused some resentment among certain of the young people. (For further details about apprentices' views on training allowances, see Chapter 4).

## 2.2.2 Employers' awareness of training allowances

When employers themselves were asked the question 'Are you familiar with the term Training Allowance?', just over half of the 62 employers interviewed (35) said they were **familiar** with the term, whilst a sizeable minority (27) reported that they were **not familiar** with it. It is not altogether surprising that 13 of the 27 employers unfamiliar with the term knew little of training allowances, as they reported employing waged apprentices only within their businesses. However, 14 of the 27 had unwaged trainees working for them, and it is perhaps a little more surprising that they were unfamiliar with the details of the funding.

The 35 employers interviewed who were familiar with the term 'training allowance' demonstrated variable levels of understanding of what this was. The key characteristics of training allowances were believed to be<sup>4</sup>:

- **A specific amount of money** (17 responses) – Most of these respondents (13) showed an awareness that training allowances are set at a minimum level of £40 per week, with the remaining four presenting figures that probably reflected locally agreed sums, £40-50, or £55-80 per week, for example.

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<sup>4</sup> Interviewees often mentioned more than one characteristic, so the responses do not sum to 35.

- **Targeted at specific groups of young people** (15 responses) – Most of these respondents presented an accurate understanding that training allowances are used to support trainees with non-employed status (seven) or young people with ALS needs (five). Other comments, that everyone is eligible (two), for example, whilst technically correct, would generally not be promoted by LLSCs.
- **Targeted at young people of a certain age** (15 responses) – Whilst seven respondents said that training allowances were intended for those aged 16-24, a further eight believed that they were only for the benefit of those aged 16-18, or 16-21. There was a strong view that young people at Level 3, or undertaking Advanced Apprenticeships were not eligible for funding. Whilst technically incorrect, these views probably reflect the fact that LLSCs and training providers often work hard to dissuade employers from maintaining Level 3 and older trainees in unwaged status.
- **Sourced by LLSCs and training providers** (seven responses) – Only seven respondents recognised the source of funding, but those that did, did so correctly.
- **Locally agreed criteria** (six responses) – Criteria mentioned included that allowances can be paid until a young person reaches the age of 17, or completes their key skills, for example, and then the employer must begin to pay them a wage, or that employers must pay a £30 per week supplement to any young person working at Level 3.
- **For the benefit of employers** (five responses) – These respondents saw training allowances as a subsidy for themselves, commenting, for example: ‘It gives us a chance to see them before employing them’ and ‘It gives a business a chance of trying out a young person.’
- **A short-term measure only** (five responses) – These respondents recognised that training allowances should only be used at the beginning of a placement, with employed status following shortly after. The amount of time that this ‘short-term measure’ should last varied, however, from six to nine months (two respondents), through one year (two respondents) to 12-18 months (one respondent).
- **No understanding of the detail** (four responses).

These responses reflect the diversity of views held by employers regarding training allowances, and also reflect some misconceptions. The majority of respondents identified nationally agreed features of training allowances (usually correctly), such as the amount that can be paid, who the payment should be targeted at, and who it is paid by. However, a smaller number of responses indicated that some employers clearly regard training allowances as intended to be a source of funding that is of direct benefit to their businesses in that it removes the ‘risk’ of employing untried trainees.

These findings were largely reflected in the interviews with training providers. Respondents reported that the majority of employers viewed training allowances as a short-term measure and not as a substitute for engaging waged

apprentices. However, there were said to be some employers who had the impression that training allowances were there to support their businesses, to the extent that they need not pay out for the training and development of an apprentice. One training provider summarised this view as follows:

*Some advertising says that apprenticeship training is free and this is seriously misleading employers. There is a culture among small businesses that they will get money for training and will not have to pay themselves. It's a big issue because there's no such thing as free training.*

This view may, at least in part, have been influenced by the practice of a small number of training providers in explaining the purpose and use of training allowances to employers as follows: 'We tell them, no, there really isn't a catch!'

Five training providers commented that they chose not to encourage awareness on the part of employers, lest this created a tendency to rely on allowances at the expense of offering waged training opportunities. One training provider noted:

*We don't tell the employers much about it, because we want them to employ the young people and give them the going rate. They are told they must pay the minimum wage. We only use the Minimum Training Allowance if the employer really can't take them on.*

Other reasons for low levels of awareness among employers included that training allowances were:

- only used to support young people with ALS needs, which did not affect employers in these areas (two respondents)
- not used in one area because all apprentices had waged status (one respondent).

Only one training provider commented that a lack of awareness on the part of employers stemmed from an apparent inability to understand the features of MTAs, in spite of the fact that the training provider had explained these on a number of occasions. A minority of employers were said to believe that the process of applying for government funding was unnecessarily bureaucratic, and 'more trouble than it's worth', perhaps explaining a reticence in familiarising themselves with the features of training allowances.

The following sections consider the ways in which training providers and employers are informed about training allowances, and how this influences the views of employers and young people about the role and purposes of the funding.

## 2.3 Sources of information

Both LLSCs and training providers reported having a role in the promotion of training allowances. The details of their involvement are outlined in the following sections.

### 2.3.1 The role of LLSCs

LLSCs generally provided advice and guidelines to colleges and training providers, rather than to young people or employers directly. In fact, only four LLSCs said that they promoted training allowances directly to young people through literature sent out to schools. These four LLSCs stressed that their literature made clear that training allowances were available primarily for certain young people, specifically those involved in Entry to Employment (E2E) programmes and Programme-led Pathways (PLPs). The remaining 36 LLSCs commented that, whilst they produced written guidelines on training allowances, these were not actively promoted, because they wanted schools and young people to view apprenticeships as a quality, high status, waged route to training and employment. As one stated: ‘No, we don’t promote training allowances. We only promote jobs.’

Having said this, a small number of LLSCs expressed concerns that some Connexions Services and training providers were using training allowances as a promotional tool, although most shared the view of one LLSC representative that: ‘Even Connexions wouldn’t promote [the MTA]. They always look for a job first’ and another who said: ‘Connexions only highlight the minimum training allowance tactically, on a ‘need to know’ basis.’

LLSCs saw their role much more in terms of promoting training allowances to **training providers** and **colleges**. Only 12 of the 40 interviewed said that they did not have a role in this respect, and this was usually because they reported using MTAs very rarely, if at all, in their areas, other than for those on E2E programmes. One commented: ‘We only promote it [the apprenticeship] as an employer-led programme’ and another stressed: ‘We don’t really use the Minimum Training Allowance and don’t encourage its use.’ The remaining 28 LLSCs said that they provided various advice and guidelines to colleges and training providers on what training allowances were and how they should be used. In addition to general comments such as, ‘We pass on the national LSC guidance’ (mentioned by 14 interviewees), LLSCs reported that they also passed on specific advice and guidelines, which included<sup>5</sup>:

- Training allowances should be paid as a **last resort** (11 responses). The priority is for young people to have employed status where possible.
- Training allowances should be used as a **start-up** allowance only (eight responses). These interviewees specified that the start-up period should

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<sup>5</sup> Interviewees often mentioned more than one type of advice, so the responses do not sum to 28.

last no more than six months and, ideally, two to three months. It is interesting that the five employers who showed awareness of this guideline, mentioned in Section 2.2.2 above, suggested that a start-up period would last between six and 18 months. This suggests that whilst there is agreement in terms of the principle, there is some discrepancy in terms of the understanding of the detail between LLSCs and employers.

- Training allowances should be used to support young people with **ALS needs** who have difficulties accessing employment (seven responses). Interviewees reported that such young people were often in receipt of training allowances for longer periods of time than they would normally recommend.
- Training allowances should be made available for young people on **E2E or PLPs only** (three responses).
- Employers should be encouraged to pay at least a **supplement** to the allowance if they feel unable to offer a wage (three responses). Interviewees commented that if young people receive more than the minimum of £40 per week this aids recruitment and retention.

Finally, and in contrast to most LLSCs who produced the fairly detailed and specific guidance outlined above, five interviewees indicated that their guidelines to training providers were very flexible, to the extent that training providers were told they could use training allowances as they saw fit in their local areas. One of these LLSCs added that they had made the decision to inform training providers that all young people aged 16-17 working in the childcare sector should routinely receive training allowances. The reasoning behind this was that childcare providers tend not to be prepared to offer waged positions to young people under the age of 17. This is because young people cannot work unsupervised, and cannot be counted in staff ratios until they reach the age of 17 (DfES, 2003 p.11).<sup>6</sup>

### 2.3.2 The role of training providers

Whilst LLSCs passed on information about training allowances to training providers and colleges, it was the job of training providers and, as outlined in Section 2.3.1 above, Connexions Services, to promote or explain the detail of these allowances to **employers** and **young people**. This was borne out in apprentices' responses to a question in the survey asking them how they found out about training allowances. Schools and employers were reported to have played a lesser role in this respect than training providers and Connexions Service Personal Advisors (PAs), as outlined in Table 2.1 below:

<sup>6</sup> It is worth noting that despite this legal restriction, apprentices under the age of 17 can still contribute in other ways to the quality of care an organisation provides even if they are not counted in staff ratios.

**Table 2.1 Sources of information**

<b>How did you find out about training allowances?</b>	<b>%</b>
Through College/Training Organisation	45
Through a Connexions Service PA	37
Through School	20
Through Employer	9
Other	15

**N = 880**

*More than one answer could be put forward, so percentages do not sum to 100.*

*A filter question: all those who had heard of training allowances and who were aware, before they started their Apprenticeship, that they could receive one.*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005.*

Nineteen of the 25 training providers interviewed said that they played a role in promoting training allowances to young people and employers, although the large majority of these interviewees also reported being cautious about the ways in which they imparted such information. Eight, for example, emphasised that their guidance to both employers and young people was that allowances should be used as a short-term, temporary measure, with the goal being to secure waged status for apprentices at the earliest possible opportunity. One commented: ‘The main message is that the minimum training allowance is a safety net for a limited time and not for general use’ and another added: ‘We tell [employers] that training allowances are to be used in the early stages of apprenticeships before going on to waged employment.’ A further six training providers explained that, in their areas, the flow of information on training allowances was restricted to specific employers, to avoid widespread awareness and hence an over-reliance on allowance-backed employment at the expense of waged employment.<sup>7</sup>

This implies that most training providers adhere closely to the guidance passed to them by LLSCs, and explains why many of the employers interviewed during the course of the research, showed a good level of awareness of the intention and purpose of training allowance payments, as outlined in Section 2.2.2. Certainly, most training providers seemed happy with the advice and guidance they received and imparted on administering training allowances. Of those providing a view (23), only eight had concerns, mainly small and specific, including that:

<sup>7</sup> Five provided no further details on the type of information that they passed on to employers and young people.

- some employers seem to find the system confusing (three respondents)
- there is a need for greater clarity for young people in terms of how receiving a training allowance might affect other benefits they or their families receive (three respondents)
- the system of accounting for training allowance payments through training providers' audit trails is unnecessarily bureaucratic (two respondents).

In contrast, the majority (15) said that they found the training allowance system to be 'straightforward', 'low on bureaucracy' and 'transparent'.



### 3. Payment of training allowances

#### Key findings

- While just over two-thirds of the 40 LLSCs contacted had set the MTA at £40 per week, ten paid out higher rates up to £65 per week. Three others made variable levels of payments depending on apprentices' age, programme type and industrial sector.
- The scale of MTA payments made by training organisations differed widely, ranging from less than one per cent up to all apprentices. The proportion was highest in those training organisations with large numbers of young people with ALS needs or working in sectors such as care or retail.
- There was no fixed pattern relating to the length of time apprentices received an allowance ranging from just a few weeks up to the whole period of their training.
- Just under half (47 per cent) of trainees surveyed reported that they currently received a training allowance.
- Employers and trainees frequently reported training allowance payments in excess of £60 and in some cases over £100 – however, it is likely that these included instances in which employers either paid a top-up or paid the full amount either directly to the trainee or via the training organisation.
- Female apprentices were found to be significantly more likely to be receiving a training allowance than males. This appeared to be linked with the fact that females were more highly represented in sectors such as childcare and land-based occupations, which were found to have the highest proportions of young people receiving an allowance.
- The questionnaire survey also revealed that younger apprentices aged 16 to 18 and young people on Level 2 Apprenticeships were significantly more likely to report that they were currently receiving a training allowance than respondents overall.

#### 3.1 Introduction

This chapter presents evidence of the level and scale of training allowance payments received by apprentices based on evidence collected from 1,582 trainees as well as 25 training providers, 40 LLSCs and a sample of 62 employers. It also focuses on the characteristics of those apprentices receiving a training allowance.

## 3.2 Level and scale of training allowance payments

Evidence from interviews with LLSCs, training providers and employers (as well as trainees, as explored in Section 3.3) showed that the level and scale of training allowance payments differ considerably across the country.

### 3.2.1 The level of training allowance payments

As regards the **level of MTA payments**, interviews with the 40 LLSCs showed that just over two-thirds of LLSCs (27) had set the rate at £40 per week. Otherwise, three had set it at £45 per week, five at £50 and two at an even higher level. Of these latter two, one made available £65 per week; the respondent explained that this higher level was needed ‘to fill [training] vacancies, especially in child care’. Another LLSC, covering a rural area with mainly small employers, had set the MTA at £60 and justified this by stating that ‘we have historically always paid out more even when we were a Training and Enterprise Council – £40 is thought to be too low for the region’.

The remaining three LLSCs had variable levels of MTA payments. One respondent, for example, stated that in their area the level of MTA paid out depended on the apprentices’ age: ‘we pay £40 for 16 year olds and £50 for 17 to 18 year olds. The extra £10 is subsidised by the LLSC. Apprenticeships for those aged 19 plus are all employer-led and so they don’t get an MTA’. The other two LLSCs paid out different levels depending on programme type and industrial sector.

Interviews with employers showed a slightly different picture. Of the 39 respondents who currently or in the past had had unwaged apprentices, only one third reported that their trainees received a training allowance of £40 per week; three said that they received £45, nine between £50 to £55, six £60, while another six reported payments at or above £70 per week.

There are two possible explanations for this difference in distribution compared to the one revealed in interviews with LLSCs. First, the employers interviewed were not evenly distributed across LLSCs and the sample may have included an over-representative number of organisations based in LLSCs paying the higher rate. The second and more likely explanation is that employers used a wider definition of the term ‘training allowance’, to include top-ups or where the whole allowance was covered by them (it is likely that this wider definition was also used by trainees as explored in Section 3.3).

This second explanation appeared to be confirmed by an additional question, which asked employers to specify who makes or made the reported payments. While 29 of the respondents with unwaged trainees said that the ‘training allowance’ was paid by the training organisation, ten of these reported that they paid the whole sum to the training provider for each trainee. As one respondent explained: ‘They get £40 per week, but we are paying the training

provider £40 for each non-employed trainee'. In four of these ten cases, where the employers paid the training organisation, the reported training allowance was in excess of £70 per week.

In five other cases, the reported 'training allowance' was said to include a payment received from the training provider as well as a top-up by the employer. In one instance, for example, the training organisation was said to pay £40 per week, while the employer paid out £60 – resulting in a £100 'training allowance' for the apprentices. Only one employer said that they paid the whole training allowance of £60 per week directly to their apprentices. The remaining four respondents were not sure who made the payments.

### 3.2.2 The scale of training allowance payment made

As regards the **scale of training allowance payments** made, interviews revealed that there were large differences in the proportion of young people in receipt of an MTA across training organisations. Eight of the 25 training organisations contacted as part of this study reported that they paid out a training allowance to only a very low proportion of their trainees, ranging from none up to ten per cent. One of these, for example, said that it was only paid to 'a small number – 20 [out of 400] at present, where the employers won't employ them immediately but want to take on an apprentice'. Only one training organisation stated that currently none of their trainees were in receipt of an MTA, because they encouraged all employers to take on apprentices on employed status right from the start of their programme.

Otherwise, seven training organisations said that around a quarter; four respondents that about half; and three that more than half of their apprentices were in receipt of a training allowance at the time of the interview. Those paying out an MTA to more than half of their trainees included one training organisation which specialised in the provision of training in the care, retail and business administration sectors. The organisation had 75 apprentices currently on their books, of which 40 were receiving an MTA. Those getting the MTA were said to be 'under 18 [years old] and working in the care sector, some in retail and in admin when they first start'.

Only one training organisation reported that all 27 of their apprentices were currently receiving an MTA. All of the trainees were less than 18 years old and were said to be 'working in local nurseries and schools, but don't have qualifications and are too young to be employed'.<sup>8</sup> Another training provider catering for the horse racing industry only explained that all trainees received an MTA for the first nine weeks of their training 'and are then guaranteed a

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<sup>8</sup> This quotation refers to the standards for childcare provision which state that young people under the age of 17 have to be fully supervised and cannot be counted in the staffing ratios of day nurseries and nursery schools (DfES, 2003).

job and become employed apprentices’ – at the time of the interview they had no apprentices in their first nine weeks of training.

Interviews with LLSCs were used to explore the reasons why there was such a difference in the scale of payments made by training organisations. The main reason given was that some training organisations had more young people with unwaged status on their books – this was usually linked either to industrial sector or to higher numbers of trainees with ALS needs. One respondent, for example, explained that ‘some [training organisations] specialise in sectors such as early years and childcare, where legally anyone under 18 doesn’t count as an adult and so companies don’t want to pay’.

Evidence from interviews with training providers largely confirmed this finding. Asked to specify the criteria that they used for deciding on whether or not a trainee received an MTA, 11 interviewees said that it tended to be those training in particular industrial sectors such as early years and childcare or retail. Six training organisations reported that the MTA was used to get placements for trainees at the early stages of the programme when they were still relatively unskilled or untested. In the words of one respondent:

*When someone is unskilled/untested you need to be able to give them the opportunity to gain the experience required to find work with. In this sense, the MTA is an excellent thing to open up opportunities which otherwise would not be available if you were simply relying on the market – employers’ demand for trainees.*

Five respondents said that it was mainly young people with ALS needs or ‘less able young people who employers would otherwise not take on’ who received the allowance, while five other organisations stated that the MTA was used exclusively for trainees on Level 2 programmes. Finally, two organisations reported that the MTA was used to engage new employers.

### **3.2.3 Period of MTA payments made**

Evidence from interviews with employers and training providers showed that there was no fixed pattern relating to the length of time apprentices could be expected to receive an MTA. Only a minority of training organisations indicated that they had a fixed time period during which trainees could receive a training allowance, although several emphasised that they usually started to put pressure on employers to move towards giving apprentices employed status after between four to six months.

However, 11 of the 25 training organisations indicated that some of their trainees received an MTA for the whole period of their training. In most cases, this was related to individuals’ needs or industrial sectors. Thus, young people with ALS needs and those working in sectors such as childcare were said

sometimes to receive an allowance for the whole period of their training to enable them to find a placement.

Interviews with employers revealed a similar picture. Exactly half of the 42 employers who currently had waged apprentices reported that the trainees had initially received a training allowance when they started their placements. The length of time apprentices were reported to have received an allowance differed considerably across respondents, with no clear patterns emerging. Three respondents stated that the trainees had received an allowance while completing their Level 2 Apprenticeship and had only become waged when starting their Advanced programmes. Other employers said that apprentices had spent between one month and one year receiving an MTA and had then become waged, usually after they had ‘proved themselves’. However, in one case, this had only happened ‘after we were told by the training provider that they were supposed to be on employed status, so we did’. In other cases, trainees were said to start on a training allowance and then ‘progress into jobs as vacancies become available’.

Employers and training providers were asked whether it ever happened that a young person did not receive a wage or a training allowance. None of the employers were able to identify any instances in which apprentices received no payment, while two training providers were able to give examples of when this could happen. As one respondent explained, this sometime occurred if waged apprentices ‘lose their job, but are still doing their training with us, in which case they are without income while [we try] to find them another vacancy. But that usually doesn’t last long’.

### **3.3 Range of payment experiences of apprentices**

This section presents evidence from the questionnaire survey of trainees’ payment experiences. It is worth noting that the evidence reported is based on respondents’ understanding of the term ‘Training Allowance’ and the payments received as part of their training and may not accurately reflect the reality relating to proportions of young people receiving an MTA. The responses reported in this section are also not expected to be representative across all apprentices. Instead, the questionnaire sample was specifically selected to include young people who would be most likely to have had experience of receiving a training allowance – namely those registered on the ILR as being not employed on the first day of their apprenticeship.

#### **3.3.1 Proportion of trainees receiving a training allowance**

The trainee questionnaire survey asked all whether they currently or in the past received a training allowance. Table 3.1 shows that just under half of all 1215 current apprentices reported that they were receiving a training allowance, while almost two-thirds (63 per cent) said they either currently or in the past

received one. The remaining trainees indicated that they either definitely never received a training allowance or that they were not sure whether they had done so. Almost all of those not responding to this question had indicated earlier on that they had not heard of the terms ‘Training Allowance’ or ‘Minimum Training Allowance’ and for the purposes of analysis were assumed to have not received one.<sup>9</sup> A separate question addressed to 183 apprentices no longer in training revealed very similar proportions, with 59 per cent indicating that they received a training allowance at some stage of their training.

**Table 3.1 Proportion of young people receiving a training allowance**

<b>Are you currently in receipt of a training allowance?</b>	<b>%</b>
I currently receive a training allowance	47
I used to receive a training allowance, but don’t anymore	16
I have never received a training allowance	3
I’m not sure	4
No response to this question	30

**N = 1215**

*A single response item*

*Due to rounding, percentages may not sum to 100*

*A filter question: all those who indicated that they were currently in training/Apprenticeship*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

### **3.3.2 Level of payments received**

Additional analysis exploring the level of pay received by those 47 per cent (566 apprentices) who reported to be currently receiving a training allowance revealed that the range of payments received varied greatly (see Table 3.2). Thus, while less than a third reported that they got £40 or less per week, roughly the same proportion (31 per cent) indicated payments in excess of £60 per week. It is also worth noting that almost one in six apprentices (16 per cent) who indicated they were receiving a training allowance reported getting more than £80 per week.

<sup>9</sup> It seems reasonable to expect that a significant proportion of the 37 per cent not responding to the question of whether they currently or in the past received an MTA did, in fact, do so, be it only for a very short period of time (given that respondents were selected on the basis that they were unwaged on their first day of their training). The questionnaire survey showed though that significant proportions of young people were not aware of this support and were, therefore, excluded from subsequent analysis as they were unable to answer any questions on the support they received.

**Table 3.2** Payments received by those currently receiving a training allowance

How much do you receive in payments per week?	%
£40 per or less	29
£41 to £51	25
£51 to £60	15
£61 or more	31

**N = 566***A single response item**Due to rounding, percentages may not sum to 100**A filter question: all those who indicated that they were currently receiving a training allowance**Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

These high levels of reported payments, which go beyond even the highest levels of MTA set by only a small proportion of LLSCs, suggest that young people reporting that they received a training allowance may have received payments other than the MTA. In particular, some may have been paid a relatively high ‘allowance’ from their employer or received an MTA as well as additional top-ups from their employers or additional payments, for example, to cover transport costs. This conclusion appears to be supported by a separate question which asked whom they got the ‘Training Allowance’ from. As can be seen in Table 3.3, overall only just over a quarter (28 per cent) of respondents indicated that they received the allowance from their employer. However, for those who received in excess of £60 per week the proportion was 56 per cent. Similarly, only 24 per cent of those who said they got the allowance from their college or training organisation reported receiving in excess of £60 per week compared to 74 per cent overall.

**Table 3.3** Source of training allowance payment

From whom did you receive your training allowance?	%
My employer	28
My college/training organisation	74
Other I’m not sure	2
I’m not sure	3
No response to this question	1

**N = 950***More than one answer could be put forward so percentages do not sum to 100**A filter question: all those who indicated that they currently receive a training allowance, or received one in the past**Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

Respondents were not asked as part of the questionnaire to specify the proportion of payments received from different sources, as it was judged, based on the scoping study (see Section 1.3.1), that many young people would not be able to provide this information. It was, therefore, not possible to assess how many of the 47 per cent of respondents indicating that they were currently receiving a 'training allowance' got an MTA, how many were paid an allowance by their employers (instead of being paid a wage), and how much they received as other payments on top of an MTA.

### **3.3.2 Characteristics of apprentices receiving a training allowance**

Analysis of the questionnaire data revealed that there were some statistically significant differences between those trainees reporting to receive a training allowance and those who indicated that they either definitely never received a training allowance, or were not sure whether they had done so, or had not heard of the terms 'Training Allowance' or 'Minimum Training Allowance' and so were assumed to have not received one (see Section 3.3.1 above).

**Female apprentices** were found to be significantly more likely to be receiving a training allowance than males (55 per cent of females compared to 46 per cent of males). The most likely explanation of this difference appears to be that female apprentices are more highly represented in those **sectors** which were found to have the highest proportions of young people reporting to be currently receiving a training allowance, as follows:

- childcare (61 per cent of apprentices in this sector reported receiving a training allowance)
- land-based occupations (59 per cent)
- retail and customer service (54 per cent).

In contrast, sectors which are traditionally associated with male apprentices were found to have much lower proportions of young people reporting to be currently receiving a training allowance, including:

- construction (48 per cent of apprentices in this sector reported receiving a training allowance)
- engineering and manufacturing (45 per cent).

The analysis also showed that **younger apprentices** aged 16 to 18 were significantly more likely to report that they were currently receiving a training allowance than older respondents (55 per cent of the younger age group compared with 48 per cent of those aged 19 to 24).

The **type of programme** was also an important factor. Thus, young people on Level 2 Apprenticeships were found to be significantly more likely to report

that they were currently receiving a training allowance (53 per cent) than those on Advanced Apprenticeships (41 per cent).

In order to determine the contribution apprentices were making to their employers, all those currently in training were asked how often they **worked on their own without supervision** in the workplace (see Table 3.4). Analysis showed that those apprentices who said they were currently receiving a training allowance were significantly less likely to report that they worked on their own all of the time than respondents overall.

**Table 3.4 Frequency with which young people work independently at their place of employment**

<b>How often do you work on own?</b>	<b>%</b>
All of the time	24
Some of the time	52
Hardly ever	23
No response to this question	1

**N = 943**

*A single response item*

*Due to rounding, percentages may not sum to 100*

*A filter question: all those that indicated that they were currently in training/an Apprenticeship and based with an employer*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

In contrast, no significant differences were detected between apprentices with ALS needs according to the ILR database and those without. Similarly, there was no statistically significant correlation between the number of days per week respondents spent in the workplace and the likelihood of receiving a training allowance.



## 4. Apprentices' views on training allowances

### Key findings

- Just under a third of trainees were satisfied with the level of payments they received during their apprenticeship. However, more than half were not satisfied – 28 per cent were dissatisfied, while a further 24 per cent were very dissatisfied.
- The extent of trainees' satisfaction with the level of their payment appeared to depend on the amount of money they were paid – trainees receiving more money were significantly more likely to be satisfied.
- Trainees who reported that they were in receipt of a training allowance were less likely to be satisfied with their earnings than those not receiving a training allowance. Those receiving extra payments, in addition to their training allowance, were more likely to be satisfied than those not receiving additional payments.
- A notable proportion of trainees had some concerns, before they started their training, about the level of payment they would receive, and nearly half the respondents indicated that they received less money than they initially expected.
- The extent to which trainees were motivated to take up an apprenticeship for financial reasons varied. Thirty per cent of young people reported that they would have started their apprenticeship even if they had found out, before they started, that they would not be paid for it. However, the remaining young people would have taken an alternative route, most commonly other paid employment.
- Just over two-fifths of respondents were so dissatisfied with the level of the payment they received that they had considered leaving their apprenticeship.
- Just over three-quarters of trainees planned to continue with their current apprenticeship. Those that did not plan to continue most commonly cited insufficient earnings as the main reason why they considered leaving their training.
- More than a quarter (27 per cent) of trainees who had dropped out of their training stated 'not getting enough money' as their main reason for not completing their apprenticeships.

## 4.1 Introduction

This chapter draws on the survey responses of 1,528 trainees, and explores apprentices' views on training allowances. More specifically, it focuses on:

- their views on the adequacy of the financial support they received as part of their training
- the extent to which training allowances acted as incentives for young people to start and complete apprenticeships
- the impact of training allowances on trainees and their families, including the impact upon other benefits received.

## 4.2 Views on the adequacy of financial support

### 4.2.1 Satisfaction with level of payments

When asked how satisfied they were with the level of payments received while doing their apprenticeship, just under a third (31 per cent) of young people indicated that they were very satisfied or satisfied. However, as Table 4.1 shows, just over half (52 per cent) were not satisfied with the level of their payment – 28 per cent stated that they were dissatisfied, while a further 24 per cent were very dissatisfied.

**Table 4.1 Satisfaction with the level of payments received during training/apprenticeship**

<b>How satisfied are you with your payments?</b>	<b>%</b>
Very satisfied	6
Satisfied	25
Not sure	13
Dissatisfied	28
Very dissatisfied	24
Not relevant	1
No response to this question	4
<b>N = 1528</b>	

*A single response item*

*Due to rounding, percentages may not sum to 100*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

The extent of trainees' satisfaction appeared to differ depending on the amount of money they were paid: as the amount of money trainees received increased, the proportion of trainees indicating that they were satisfied also significantly increased. While, as noted above, 31 per cent of respondents overall were satisfied with their payments, those receiving £40 per week or less were less

likely to report that they were satisfied with the level of their payment (23 per cent of these trainees were satisfied). Trainees receiving £61 per week or more were most likely to be satisfied (42 per cent of these respondents were satisfied).

Analysis of the data showed that apprentices who reported that they were receiving a training allowance at the time of the survey were less likely to indicate that they were satisfied with the level of payment they received for their apprenticeship, compared with those not in receipt of a training allowance. It is likely that this is because those receiving a training allowance tended to earn less money than those not in receipt of a training allowance (who were likely to be waged apprentices). Where trainees indicated that they received extra payments (for example, money towards the cost of transport or work clothes) during their training, in addition to a training allowance, they were significantly more likely than those not receiving extra payments to indicate that they were satisfied.

It seems that a notable proportion of trainees were so dissatisfied with the level of the payment they received for their apprenticeship that they had considered leaving. As Table 4.2 shows, 41 per cent of trainees overall reported that they had considered not finishing their apprenticeship because they were dissatisfied with their earnings.

**Table 4.2 Whether young people have considered not finishing their training/apprenticeship due to dissatisfaction with the level of payment**

<b>Have you considered not finishing your training/apprenticeship?</b>	<b>%</b>
Yes	41
No	49
Not sure	7
No response to this question	4

**N = 1528**

*A single response item*

*Due to rounding, percentages may not sum to 100*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

Although the extent of trainees' satisfaction with the level of their payments was influenced by the amount of money they received, the level of trainees' payment did not seem to have influenced whether they had considered leaving their apprenticeship because they were dissatisfied with their earnings.

There did appear, however, to be a relationship between trainees considering leaving their apprenticeship and the factors that trainees reported had initially influenced their decision to take up an apprenticeship (see Table 4.5). Trainees

who indicated that the availability of a training allowance was the most important factor in influencing their decision to start an apprenticeship were significantly more likely than respondents overall to report that they had considered leaving their apprenticeship because they were dissatisfied with the level of payment they received (see Section 4.3 for further information on the factors influencing young people’s decision to take up an apprenticeship). In contrast, those who indicated that the most important factor in their decision to start an apprenticeship was learning more about their area of interest were significantly less likely to report that they had considered leaving their training.

Although the majority of young people reported that they thought that undertaking an apprenticeship would help them earn more money in the future, it appears that some trainees had concerns before they commenced their training about the level of payment they would receive while undertaking their apprenticeship.

**Table 4.3 Views about payments received during training/apprenticeship**

<b>What were your views about your payments?</b>	<b>True for me %</b>	<b>Not true for me %</b>	<b>Not sure %</b>	<b>No response %</b>
I was worried about how much money I would get	48	36	9	7
I was worried about me/my family losing other benefits	20	62	10	9
I got more money than I had expected	12	68	12	9
I got less money than I had expected	47	32	14	8

**N = 1528**

*A series of single response items*

*Due to rounding, percentages may not always sum to 100.*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

As Table 4.3 shows, nearly half the respondents (48 per cent) indicated that when they started their apprenticeship they were worried about the amount of money they would receive, and more specifically, 20 per cent reported that they were concerned about losing other benefits as a result of receiving the training allowance. A total of 47 per cent of apprentices indicated that they received less money than they initially expected, while 12 per cent received more money than they anticipated.

Trainees who were paid £61 or more were significantly more likely than others to indicate that they received more money than they had expected when they first started their apprenticeship. Those who reported that they received a training allowance at the time of the survey were significantly less likely to indicate that they were paid more money than they initially expected.

### 4.2.2 Take-up of part-time work among apprentices

Apprentices' reported concerns about the level of their earnings were reinforced by the finding that some respondents had taken part-time work to supplement their income. Just over a quarter of respondents (27 per cent) indicated that they had undertaken part-time work or worked overtime during their apprenticeship, and for 61 per cent of these trainees, the main reason cited for doing this was to earn extra money. As Table 4.4 shows, other reasons given by apprentices for taking up part-time work were to gain experience of work (18 per cent), and to develop their skills (14 per cent).

**Table 4.4 Most important reason for finding part-time work/overtime**

What was your main reason for finding part-time work/overtime?	%
To earn extra money	61
To gain more work experience	18
To develop my skills	14
Other reasons	2
No response to this question	6

**N = 399**

*A single response item*

*Due to rounding, percentages may not sum to 100*

*A filter question: all those who indicated that they do/did part-time work during their training/apprenticeship*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

Further statistical analysis revealed that there did not appear to be a significant relationship between the amount of money that apprentices reported they were being paid for their apprenticeship, and the take-up of part-time work or overtime. There was also no significant relationship between trainees reporting that they were in receipt of a training allowance and them undertaking part-time work.

However, although the amount of money apprentices were earning did not significantly affect the likelihood of them taking up part-time work, there were narrowly significant differences in the reasons that apprentices gave for finding this part-time work, depending on the amount of money they were being paid for their apprenticeship. Those being paid the least (£40 per week or less) were more likely to state that they took up part-time work in order to earn extra money, while those earning the most (£61 or more per week) were significantly more likely than respondents overall to indicate that they wanted to develop their skills.

## 4.3 Incentive effects of training allowances

### 4.3.1 Incentive effects on the take-up of apprenticeships

As mentioned above, most of the trainees who responded to the survey (81 per cent) reported that they thought that undertaking an apprenticeship would help them earn more money in the future. In order to further explore trainees' reasons for starting an apprenticeship, and in particular, to investigate the incentive effects of training allowances on young people, trainees were asked to indicate the importance of a range of factors in their decision to start an apprenticeship.

As illustrated in Table 4.5, the main factors which appeared to have influenced trainees' decision were the chance to increase their future job opportunities (90 per cent respondents stated that this was very or quite important), the opportunity to achieve more qualifications (90 per cent), and the opportunity to gain experience of work (89 per cent). While 68 per cent reported that the availability of a training allowance had been very important or quite important in their decision to start an apprenticeship, a greater proportion (82 per cent) stated that getting paid while training had been very or quite important to them.

**Table 4.5 Factors that influenced young people's decision to start training/apprenticeship**

<b>How important were the following factors in influencing your decision?</b>	<b>Very important %</b>	<b>Quite important %</b>	<b>Not important %</b>	<b>Not sure %</b>	<b>No response %</b>
Increasing future job opportunities	73	17	2	1	8
Getting more qualifications	67	23	3	1	7
Getting experience of work	67	22	2	<1	8
Completing an apprenticeship	56	26	6	2	10
Learning more about my area of interest	53	31	6	2	8
Getting paid while training	44	38	10	1	7
Availability of training allowance	25	43	17	6	9
Doing something my parents/carers approve of	14	22	51	4	8

**N = 1528**

*A series of single response items*

*Due to rounding, percentages may not always sum to 100.*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

The trainees were then asked to identify which of these factors were the most important in their decision to take up an apprenticeship. Their responses, presented in Table 4.6, are consistent with the findings above, in that the opportunity to gain more qualifications (24 per cent) and to increase future job opportunities (24 per cent) were reported to be the most important factors in young people's decisions to start an apprenticeship. Eight per cent of respondents indicated that getting paid while training was the most important factor influencing their decision to start an apprenticeship, while only one per cent reported that the availability of a training allowance had been the most influential factor.

**Table 4.6 Most important factor in decision to start training/apprenticeship**

<b>What was the most important factor in your decision?</b>	<b>%</b>
Getting more qualifications	24
Increasing future job opportunities	24
Getting experience of work	10
Getting paid while training	8
Learning more about my area of interest	8
Completing an apprenticeship	7
Availability of training allowance	1
Doing something my parents/carers approve of	1
No response to this question	18

**N = 1528**

*A single response item*

*Due to rounding, percentages may not sum to 100*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

Male trainees were more likely than female trainees to report that the most important factors in their decision to take up their training were having the opportunity to complete an apprenticeship, and increasing their future job opportunities. In contrast, female trainees were more likely to indicate that the most important factor was the opportunity to gain further qualifications.

To further explore the incentive effect of training allowances on the take-up of apprenticeships, the trainees were asked what other options they had considered before starting their apprenticeship, and also what route they would have taken if they had found out, before starting their apprenticeship, that they would not be paid for it.

Table 4.7 presents the options that young people considered when they were thinking about starting their apprenticeship. Just under a third of respondents (30 per cent) indicated that the apprenticeship was the only option they considered. The remaining young people did consider alternative routes. For

example, 35 per cent thought about continuing their education at school or college, while 23 per cent considered going into employment without training.

Trainees' awareness of training allowances prior to starting their apprenticeship did not appear to significantly affect whether they had considered alternative routes to an apprenticeship or not.

**Table 4.7 Other options considered before starting apprenticeship**

<b>I considered:</b>	<b>%</b>
Continuing my education at school/ college	35
Working without training	23
Starting a different training course	13
Starting another type of apprenticeship	12
Going to university	8
Taking a break from work/study	8
The training/apprenticeship was the only option I considered	30
No response to this question	5

**N = 1528**

*More than one answer could be put forward so percentages do not sum to 100*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

The extent to which trainees were motivated by financial reward for their apprenticeship varied. Just under a quarter (23 per cent) of young people reported that they would have started their apprenticeship even if they had not been paid anything, while 51 per cent stated that they would not have. To further explore this, trainees were asked what route they would have taken if they had found out, before starting their apprenticeship, that they would not be paid for it. Most commonly (see Table 4.8), young people reported that they would have gone into paid employment (33 per cent), suggesting that some form of financial reward was a strong motivator for them. A total of 16 per cent of respondents indicated that they would have taken a course at college if they had found out, before they started their apprenticeship, that they would not be paid.

**Table 4.8** Route young people would have taken if they had found out, before they started, that they would not get paid for their training/apprenticeship

What route would you have taken?	%
Got paid work	33
Done the training/apprenticeship anyway	30
Done a course at college	16
Done something else	9
Done a course at a school sixth form	4
Taken a break from work/study	1
No response to this question	9

**N = 1528***A single response item**Due to rounding, percentages may not sum to 100**Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

### 4.3.2 Incentive effects on the completion of apprenticeships

Just over three-quarters (76 per cent) of respondents who were currently in an apprenticeship reported that they planned to continue with their training. Five per cent indicated that they did not plan to continue, while 12 per cent were unsure. The amount of payment that trainees were receiving and their satisfaction with this payment appeared to influence whether trainees planned to complete their apprenticeship. For example, as was noted in Section 4.2.1, just over two-fifths (41 per cent) of young people indicated that they had considered not completing their apprenticeship because they were dissatisfied with the level of payment they received.

Of the 211 individuals who did not plan to continue with their apprenticeship, or were unsure, just over two-fifths (42 per cent) were about to complete their training. However, 44 per cent reported that they did not plan to continue with their training because they were not getting enough money (Table 4.9 presents the other reasons for trainees not planning to continue with their apprenticeship). It is worth noting that those who reported that they received a training allowance were significantly more likely to indicate that they were considering leaving because they felt that they were not getting enough money, compared with those not receiving a training allowance (however, it is important to note that relatively small numbers of young people were involved in this analysis).

As might be expected, those respondents who stated that they had considered leaving their training because they were dissatisfied with the level of payment received were also significantly less likely to indicate that they planned to continue with their apprenticeship. Conversely, trainees who reported that they

were satisfied or very satisfied with the level of payments they were receiving were significantly more likely to report that they planned to continue with their apprenticeship, compared with trainees overall.

**Table 4.9 Reasons why young people do not plan to continue with their training/apprenticeship**

<b>What are your reasons for not continuing?</b>	<b>%</b>
I am not getting enough money	44
I am about to complete my training/get my qualification	42
I am not enjoying what I am doing	11
I would like to get a different job/ work in a different area	11
I am not getting the help and advice I need	11
I would like to take up a different training or education opportunity	9
I am not getting the training I need	9
I am finding the work too difficult	4
Other reasons	13
No response to this question	1

**N = 211**

*More than one answer could be put forward so percentages do not sum to 100*

*A filter question: all those who indicated that they are currently in training/an apprenticeship, and that they do not plan to, or are unsure whether to, continue with this training/apprenticeship*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*

Additional evidence of the actual impact a lack of finance can have on the completion of apprenticeships was found through the analysis of responses of those young people who were no longer in training. Of the 147 apprentices, who indicated they were no longer doing an apprenticeship for reasons other than simply having completed the course, 27 per cent reported that their main reason for leaving had been ‘not getting enough money’. Other common reasons for leaving included personal problems (18 per cent of respondents) and not enjoying the course (14 per cent). However, financial reasons were by far the most common complaint.

#### **4.4 Impact of training allowances upon families and benefits**

As mentioned in Section 4.2.1, a fifth of trainees reported that they were worried, when they started their training, about the loss of other benefits for them, or their families, as a result of receiving a training allowance. Table 4.10 shows that a third of young people indicated that they did actually lose benefits (such as housing benefit, child benefit or income support) as a result of starting their apprenticeship.

No relationship appeared to emerge between trainees losing benefits as a result of receiving a training allowance, and the extent to which they were satisfied with the level of the payments they received. There was also no significant effect on whether they had considered leaving their apprenticeship because they were dissatisfied with the amount of money they were paid.

**Table 4.10 Loss of benefits by young people, or their families, as a result of starting their training/apprenticeship**

<b>Did you, or your family, lose benefits?</b>	<b>%</b>
Yes, some benefits were lost or affected	33
No, no benefits were lost	11
I don't know	24
Not applicable – I/my family did not receive any benefits	21
No response to this question	10

**N = 1528**

*A single response item*

*Due to rounding, percentages may not sum to 100*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Survey of Trainees 2005*



## 5. Stakeholder views on training allowances

### Key findings

- Three quarters of employers felt their apprentices were generally satisfied with the financial support they received. They also reported no clear pattern between young people's satisfaction levels and the amount they received in allowances. These views were at odds with those of the surveyed young people (outlined in Chapter 4).
- Three fifths of training providers believed that low level pay was a factor in why some young people failed to complete apprenticeships. Similarly, three quarters of LLSCs felt that training allowances had very little effect on encouraging completion of apprenticeships. The biggest incentive to complete an apprenticeship was regarded to be being awarded a waged position with a company.
- Two thirds of training providers and just under half of LLSCs believed that training allowances had an incentive effect in encouraging young people to take up apprenticeships, particularly those aged 16 (there was felt to be minimal incentive for older apprentices), and young people who needed additional encouragement or support, for example those with ALS needs.
- Four fifths of training providers and three quarters of LLSCs believed that training allowances acted as a strong incentive for employers to take on young people. The large majority of employers providing an opinion also shared this view. However, when employers were asked to rank three factors that enabled them to take on apprentices, only 39 per cent of those with unwaged trainees identified the availability of public finance. This raises a question about whether some employers were relying, unnecessarily, upon allowances to pay their apprentices.
- There was a clear endorsement of the current training allowance system amongst interviewees, although some felt that the amount should be raised to £50 per week.

### 5.1 Introduction

This chapter of the report considers the views of LLSCs, training providers and employers on the adequacy of financial support provided through the training allowance system, and on the incentive effects of such allowances on young people and employers.

### 5.2 Views on the adequacy of financial support

In contrast to reports by the surveyed young people themselves, most **employers** felt that the apprentices they worked with were generally satisfied

with their financial support. Of the 36 employers who expressed an opinion<sup>10</sup>, fourteen were able to say that the young people had been very dedicated and committed to their training, because they knew that it put them on the road to enhanced employment prospects in the future. One commented of one of his apprentices: 'She accepted it as training towards something bigger,' and another added: 'I've been amazed how motivated and committed these trainees are to this learning.' For such young people, the amount of allowance received was felt to be secondary to the opportunity to gain valuable work experience, training and qualifications. A further ten employers explained that, although their apprentices had often complained that the amount they received in allowance for the work they undertook was somewhat meagre, there was recognition that the benefits of getting qualifications and work experience outweighed such concerns. These young people were said to be prepared to put up with poor earnings in the short term in order to gain valuable skills and experience for the future, although they would welcome receiving more in payment.

In contrast, nine employers said that the apprentices they worked with were dissatisfied with their financial support. As a result, retention was felt to be an issue for these employers, with three commenting specifically that they had lost apprentices to other employers, or that their apprentices had dropped out of training or employment all together because they felt disillusioned and under-valued as a result of their low pay. Employers were often not particularly sympathetic in this regard. One said: 'They knew what the money was when they took it on. It wasn't a surprise,' another commented: 'We know they don't like it... but if we can get them for small money, we do it'. A further employer, working in the hairdressing industry, even admitted: 'We are worried we might lose her, but it is 12 months more we want if we can!' Other employers commented that the young people least interested in the work they were doing tended to be the ones who complained the most vociferously. One interviewee spoke of the impact that low earnings through the training allowance system was having upon one of his female apprentices' productivity. This young woman was said to feel the need to work during the evenings to subsidise her income, with the result that 'this does mean that she isn't too bright some mornings.' Had it been possible to employ this apprentice on a wage, the need for her to supplement her income with additional employment may have been overcome.

An additional three employers commented that the young people working for them had been very **mixed** in their views with some being willing to accept their earnings, and others complaining. It seemed to be the case that, where apprentices within the same company were earning different sums of money, it was knowledge of this that sparked, perhaps understandable, dissent amongst those earning lower amounts.

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<sup>10</sup> Twenty one of the employers employed waged trainees only and had never used a training allowance, and an additional five felt unable to comment.

According to employers' responses, there were no clear patterns between young people's satisfaction levels and the amount of money they received in allowances. However, young people's responses to the survey indicated the contrary (as outlined in the previous chapter). Those that were reported, by employers, to be **satisfied**, those who said they would like more, but accepted the allowance, and those that were reportedly **dissatisfied** all received a range of payments between £40 and £100<sup>11</sup> per week. There was no evidence that more of the young people who were dissatisfied with their earnings fell within the £40 to £50 bracket than was the case for those who reported broad satisfaction. Some employers suggested that young people living at home appeared happier and more able to cope with the money they received than those who were living independently. Their suggestion that this had more impact on levels of satisfaction than the actual amount received was at odds with the young people's own views however. The survey of trainees did not reveal any link between young people's living status and their levels of satisfaction with their pay (see Chapter 4). Some employers said that they provided uniforms or free food for their apprentices to lessen their financial burden.

### 5.2.2 Impact of levels of financial support upon completion rates

Although employers reported that young people displayed broad levels of overall satisfaction with their pay, most training providers (15) felt that the level of pay received through training allowances was a factor in why some young people **failed to complete** their apprenticeships. Only nine of the 25 training providers interviewed felt that training allowances had a minimal influence on completion rates. One gave an illustration as follows: 'Most accept that the training makes [the low pay] worthwhile. Those in hair, for example, know that it's always been badly paid, at the start.' The 15 respondents who believed, in contrast, that the level of pay received did cause some young people to drop out, expressed a range of views. At one end of the scale were those who felt, as illustrated by the following interviewee, that it was a factor for **all apprentices**:

*It's a huge factor. When they are 16 and come into work-based learning, most are from deprived wards, so £50 seems a lot, but by 17 it's not a lot and they will drop out and go into unskilled work. All they want to do is play, and if they don't have the money they will go elsewhere.*

Summing up, a different interviewee commented: 'That's why we try to move them on to waged employment as quickly as possible.'

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<sup>11</sup> Apprentices receiving these higher sums of money were normally paid a top-up by their employer or, it seems, their employer sometimes took responsibility for making the payment, but did so by paying the young person's training provider a sum of money, which the training provider then paid the young person in the form of a training allowance (See Section 3.2.1).

At the other end of the scale were those who commented that the level of pay was a factor explaining why **certain apprentices**, rather than others, dropped out. Examples included:

- Young people not in education, employment or training (**the NEET group**). It was said to be a constant battle to encourage such young people, who often believed that they were just as well off on benefits, to complete their training.
- Those who were more motivated by **money** than by **skills** development. Whilst some young people were said to recognise the longer-term benefits of completing their training, others were said to be easily lost to better paid unskilled work. As one training provider commented: 'It depends on their commitment and their circumstances...The sensible ones know it's better for them in the long term.'
- That pay was just one of a number of factors explaining non-completion of apprenticeships, and was not the sole factor. Training providers commented that there were a range of additional factors – **personal, or family related** – which needed to be taken into consideration in understanding the reasons for non-completion.

LLSCs were asked a slightly different question: 'How important are training allowances in encouraging **completion** of apprenticeships?' Their responses reflected those of training providers in that three quarters of those interviewed believed that training allowances played no important role in this regard. As one commented: 'If anything, it has the opposite effect.' This could be taken to imply that training allowances may have played a role in some young people's **non completion**. Most of these LLSC interviewees made the general comment, expressed by one in particular, that: 'It may be a factor in starting an apprenticeship but it's certainly not a factor in continuation or completion.' The general view seemed to be that the biggest incentive for young people to complete apprenticeships was being awarded a waged position with a company. One interviewee commented: 'Those young people who take up an apprenticeship just to receive the MTA are probably doing it for the wrong reasons.'

Others expressed that the low level of pay received through a training allowance had led to substantial losses of young people into better paid employment (although this was often low skilled and without training opportunities), particularly amongst the older, 19 plus, age group. One interviewee indicated the irony of the fact that 'the training gives them the confidence to go elsewhere!' However, others said that in their areas most young people moved into waged employment quite quickly, so by the time completion became an issue, they were no longer receiving training allowances anyway.

The remaining quarter of LLSC interviewees felt, in contrast, that training allowances did sometimes play a useful role in encouraging the completion of apprenticeships. In the main, their views related to specific young people, employers or occupational sectors as follows:

- Financial reward was felt to be the only thing to keep some young people on track. As one commented: ‘It’s often the most motivating thing about the programme’.
- In sectors such as hairdressing and childcare, where employers tend to be reluctant to pay wages to young people under the age of 17, it is the only incentive that young people have to complete their training.
- It is important for young people with ALS needs, who may not otherwise get the opportunity to undertake work-based learning and gain qualifications.
- Where certain employers threaten to terminate a contract if the training allowance is withdrawn. In such circumstances, continuation of payment of the training allowance is essential if the young person is to complete their training. One LLSC interviewee claimed that this was a widespread problem in their area.

Given the range of views that have already been expressed regarding the adequacy of financial support received through the training allowance system, it will be interesting to explore the extent to which different stakeholder groups believed training allowances to be an incentive to the take-up and use of apprenticeships. This is the subject of the following section.

### **5.3 Incentive effects of training allowances on the take-up and use of apprenticeships**

Training providers and LLSCs were asked their views on the extent to which training allowances provided incentives for young people to embark upon work-based learning, in particular apprenticeships. These views are discussed below.

#### **5.3.1 Incentive effects of training allowances on young people**

Most training providers (around two thirds) believed that training allowances had a general incentive effect in encouraging young people to take up apprenticeships. Interviewees commented that this was not so much a reflection of the actual sum of money received, which was often small, but the fact that it at least represented some payment for work undertaken and a recognition amongst young people that this was more than they would receive were they undertaking a full-time course. One training provider commented that the prospect of **any direct payment** would be seen as an incentive by most 16 year old school leavers saying: ‘Most 16 year olds have no

benchmark on which to base their earnings anyway.’ LLSCs were more divided over the extent to which they believed training allowances to be an incentive for young people. Only just under half (19) of the 40 LLSCs interviewed felt that training allowances had incentive effects.

Both those training providers and LLSCs that felt training allowances were an incentive to young people gave explanations for their beliefs as follows:

- Many young people regard work-based learning, first and foremost as **employment**, and hence expect to receive payment. One LLSC representative noted: ‘They don’t see the apprenticeship as training but as a job, so it is important,’ and another commented: ‘Young people want to work. If they see a route to employment they will take it. Apprenticeships are not seen as education, but as work. That’s why a paid salary is important.’
- Young people who are **NEET** often find the transition to work and training difficult. Training allowances were felt to provide a financial incentive for such young people to seek employment with training.
- Some young people with **ALS needs** would be unlikely to be taken on by employers without the availability of training allowances.
- Some young people can be encouraged into **work-based learning** rather than onto a full-time college course, especially if their employer is willing to supplement their allowance, because the money they receive through a training allowance is greater than they would receive if undertaking a full-time course.
- For those working in the **childcare sector**, where employers are reluctant to pay wages to those aged under 17, training allowances make genuine work-based learning (as distinct from a college course with day release) a possibility.

Of those LLSC interviewees who saw an incentive effect, a number made the point, that ‘it acts as a strong incentive as it’s **actual money** they are receiving: it’s cash-in-hand.’ It is worth noting also, that those LLSC representatives who regarded training allowances as an incentive for young people, were largely commenting on 16 year old school leavers. Most felt that older apprentices, and especially those aged over 18, generally had greater financial commitments and that an allowance in the region of £40 to £80 per week would be of minimal, or no, incentive to them. The view was that most such young people would, or certainly should, have waged status.

The belief that training allowances had **little incentive** on young people’s decision to work towards an apprenticeship was shared by only a minority of training providers (seven), but by just over half of LLSCs (21). Most of these interviewees (both training providers and LLSCs) said that the young people they had experience of were unlikely to be swayed by the amount of money available, because they were committed to undertaking an apprenticeship,

irrespective of financial reward. This view was consistent with views expressed by trainees to the survey, as outlined in Chapter 4. One LLSC representative added weight to the fact that, in many cases, it was a desire to gain worthwhile experience and qualifications, rather than money, which influenced young people, stating: ‘The money itself is just not enough to be enticing!’ A number of other LLSCs commented that training allowances were unlikely to be seen as incentives by young people in their areas because ‘we don’t encourage an MTA for 16 to 18 year olds or for 19 plus. We think the employers should pay.’

Two training providers presented a contrasting view on the reasons for training allowances providing a minimal incentive effect. Their view was that young people quickly realised that they could earn more elsewhere and soon left their placements. Each commented in turn: ‘Initially it can be a carrot if the young people have left school and are not used to money, but after a while they realise they are not getting as much as some of their friends,’ and: ‘It is [an incentive] in the first instance, but once they are in an adult environment, they change. It’s a lot of hard work and a small financial reward.’ Although a minority view, these points indicate how important it is that training allowances be used as a short-term measure or stop gap only, and not as a longer-term solution to the funding of work-based learning placements.

Most training providers and LLSCs seemed to believe, either that training allowance payments did have incentive effects, particularly for young people who perhaps needed some form of additional encouragement or support in order to consider undertaking an apprenticeship, or had little effect because the young people concerned were committed to their work-based learning already, irrespective of financial reward.

Training providers were less certain, however, about the extent to which the availability of training allowances encouraged young people to embark upon apprenticeships **specifically**, rather than upon other forms of learning or training. Two thirds of those interviewed felt that training allowances probably did steer some young people towards work-based learning, but said that this would not be true of all individuals in their areas, and that they found it difficult to comment with certainty. Only three training providers felt that training allowances created a definite incentive effect in this respect, arguing that the young people they encountered would not have been prepared to work for an employer without direct payment. In the case of young people undertaking childcare placements (where employers are reluctant to pay young people under the age of 17) it was thought that, without direct payment for work undertaken in the shape of a training allowance, the young people concerned would have opted for a college course rather than for a nursery placement.

In contrast, a different three training providers felt that, with or without the availability of training allowances, young people in their regions would have chosen the apprenticeship route, because this is what they were committed to. One, making the comment that training allowances represented no kind of incentive to young people noted: 'It's what they want to do. If it wasn't, they would go for unskilled work with higher wages.'

The main message appears to be that, whilst not all young people are influenced by the financial implications of their chosen learning or training, the specific nature of training allowances (direct payment which is seen to be for work undertaken with an employer) can act as an incentive to certain young people. In particular:

- those who are **unsure** of the learning or training option they might follow. Some training providers indicated that such young people may regard the training allowance as a better financial reward than they would receive were they to choose a college-based learning option.
- those working in **specific occupational sectors** (such as childcare) where employers are reluctant to give waged status to young people under the age of 17.

### 5.3.2 Incentive effects of training allowances on employers

Both training provider and LLSC interviewees believed that the MTA acted as a **strong incentive** on employers in taking young people onto apprenticeship programmes, the implication being that there was a stronger incentive in this regard than there was for the young people themselves, for whom the payment is actually intended. Four fifths of the training providers felt that training allowances had strong incentive effects within the business community, with one commenting: 'Yes, definitely – there is no doubt about it.' Similarly, approximately three quarters (29) of the LLSC representatives interviewed believed that, although they did all they could to promote apprenticeships as a waged programme, training allowances still provided specific incentives to employers. Reasons for this were said to include that the use of allowances:

- enabled employers to 'try out' young people to see whether they might be prepared to take them on as employees in the future. According to one training provider, many employers would 'never consider taking on an apprentice otherwise,' and an LLSC representative commented: 'It is a period of 'suck it and see'.
- provided employers without a 'true vacancy', or small businesses and low-pay sectors, which lacked the necessary capacity, with the necessary funds to take on an apprentice. As one LLSC interviewee noted: 'We have a large number of SMEs, and of these SMEs we have a large number of micro-businesses. These are sometimes one or two man bands who wouldn't consider taking on an apprentice without a training allowance.' Eight LLSC interviewees commented that this was particularly relevant in:

- the childcare, healthcare, hairdressing, hospitality and retail sectors. A point made earlier that ‘it is a lifeline for [childcare] nurseries’ was made again by one training provider
- the motor vehicle and construction sectors. One gave the example of a garage, with only two members of staff which, without external funding would not have had the capacity to employ an apprentice. However, in contrast, another commented about some motor vehicle employers in his area: ‘I do have worries about their use of the programme and, on the whole, I question their commitment’.
- was the only means of encouraging employers to give young people with ALS needs or social problems a chance to undertake work-based learning. One training provider illustrated this point as follows: ‘Those with learning needs do have difficulty getting placements, and it acts as a sweetener for some employers’.
- was sold to employers as a perk. One training provider commented: ‘We sell it to employers in that way!’ It is worth noting that this was a minority view, and that a different training provider was keen to stress: ‘We vetted companies carefully to make sure there was no exploitation.’

The remaining LLSC interviewees and the three training providers who did not feel that the availability of training allowances was an incentive to employers, all made the same point, that this was because training allowances were hardly used in their areas and were certainly not ‘marketed’ to employers. One LLSC representative noted: ‘It’s uncommon for employers to be aware of its existence’ and another stated:

*We hope no employer looks at an MTA as an incentive to take on apprentices. This is because we have spent years discouraging that line of thought from employers. This is because it is subsidised labour and I believe it is yesterday’s thinking. Today’s thinking is that apprenticeships are jobs paid for by the employer.*

Summing up, another LLSC interviewee commented: ‘If an employer can’t afford to pay someone, is there really a job there for them anyway?’

Nevertheless, the majority of training providers and LLSCs held the view that training allowances acted as a strong incentive on employers. This finding was borne out through interviews with the employers themselves. Of the 38 who provided an opinion,<sup>12</sup> the large majority (31) said that the availability of training allowances had proven to be an incentive. Around one quarter of these made the general comment that the funding had been an incentive. The remaining interviewees were more specific, saying that the availability of training allowances had given them the opportunity to:

<sup>12</sup> Twenty one of the employers employed waged trainees only and had never used a training allowance, and an additional three provided no comment.

- take on apprentices when they would not normally be able to consider this, due to the **small size** of their business, being in financial difficulty, or being a not-for-profit organisation
- **'try out'** young people before committing to employing them
- take **more** young people on as apprentices than they would otherwise have been able to
- take on **younger** people than they would normally have been willing to, for example in the childcare sector
- take on people who work **fewer hours** than a full-time member of staff, which they would not otherwise have been able to do.

Only seven employers with unwaged apprentices said that the availability of training allowances had **not been an incentive** to them to take on these young people. Most of these employers made the point that, with or without the availability of public funding, they would have taken the young people on anyway. One commented: 'The training allowance doesn't make much difference.' This raises the question of why the young people working for these employers were being paid a training allowance at all, if their employers were in fact in a position to pay them a wage. Two of the employers explained that they actually paid a sum of money in the region of £100 per week to the young person's training provider, who then, in turn, paid the young person an allowance. This had the effect of ensuring that the young person was not registered with the employer as an employee, but rather was registered as being in receipt of a training allowance. This raises the question of whether the training allowance system was sometimes being used inappropriately, albeit in a minority of cases.

In addition to being asked an open question about the extent to which training allowances were an incentive to offer work-based learning, employers were also asked which of three specific factors most influenced them to take on an apprentice: the needs of their business; a desire to support the apprenticeship system; or the ability to offer a training opportunity for a young person. The responses of the 41 employers who had unwaged apprentices indicated that the main reason for most in taking on an apprentice was to **meet the needs of their business** (54 per cent). Thirty four percent said that being able to offer a training opportunity for a young person was the most important factor, while only 12 per cent said that the most important factor for them in taking on an apprentice was to support the apprenticeship system. It is interesting, given that these employers did not pay their young apprentices a wage, that their main motivation for taking on apprentices was to meet the needs of their businesses. This suggests that some employers, at least, use the training allowance system to their own advantage, rather than to the benefit of young people *per se*.

Employers were also asked which of three factors had most enabled them to take on an apprentice: their business infrastructure (experienced supervisors for example); the availability of public finances (such as training allowances); or the availability of off-site training opportunities. Again, of the 41 employers who had unwaged apprentices, most (46 per cent) said that their business infrastructure had been the most important enabling factor, with slightly fewer (39 per cent) saying that the **availability of public finance** had been the main enabler, and only 15 per cent believing that the availability of off-site training opportunities had been the most important factor. It is interesting that, whilst all these employers had unwaged apprentices working for them, only 39 per cent of them said that the availability of public finance was the most important factor in enabling them to take on apprentices. This raises the question about whether some employers were relying on allowances to pay their apprentices, when their need to do so was not that great.

The point made earlier that some employers paid money to training providers so that they, in turn, could pay apprentices a training allowance may go some way towards explaining why the availability of public finance was not always regarded as a major influence. Alternatively, it indicates that the availability of public finance was not the sole incentive for employers in taking on apprentices, but rather one of a range of factors.

## 5.4 Satisfaction with the current system

Finally, training providers and LLSCs were asked to comment upon the extent to which they were happy with the way in which the training allowance system was currently used, and whether they felt that any changes were required.

Data from the interviews indicated a **clear endorsement** of the current system of training allowance payments to unwaged young people undertaking work-based learning. Most LLSCs (34) said that the guidance regarding training allowance payments issued by LSC central office in September 2005, had led to **improved practice** at the local level, although there was still felt to be room for some improvement, as outlined in Section 5.3.2 above. Employers were now felt to understand their role better and were reported to be becoming less reliant on allowances, whilst training providers were becoming much firmer in promoting waged apprenticeships, with training allowances being seen more commonly as a last resort, or for use in specific circumstances only.

Training providers shared this view wholeheartedly. With the exception of three interviewees who made no comment, and one who had concerns about the training allowance system, all the others (over four fifths) reported **liking the training allowance system** and feeling that it worked well. Most interviewees qualified their responses by making comparisons between the

current system and the extension of EMAs to young people engaged in programme-led pathways. More detailed discussion of these views is presented in the following chapter.

Although almost all training providers were relatively satisfied with the current system, just under half of those interviewed felt that there was a need for the minimum amount paid out in training allowances to be increased, with £50 per week being a commonly quoted figure. One commented: 'When was it last checked against inflation and the minimum wage?' and another felt that allowances should be linked to the cost of living, and weighted according to geographical location. A third training provider felt that a good way forward might be to link payments to progression and achievement, so that there was a milestone system of rising payments for young people.

## 6. Views on planned funding reforms

### Key findings

The following findings need to be placed within the context of the timing of the research. Interviews with stakeholders were undertaken before the communications package regarding the extension of EMA to programme-led pathways (PLPs) was rolled out by the LSC from November 2005 onwards. It is not surprising, therefore, that stakeholders presented a number of concerns about the extension. These concerns may be alleviated a result of communications events in late 2005.

At the time of the research (August-October 2005):

- Less than one-third of the 62 employers surveyed were aware of EMAs and 13 knew that they were being extended to cover E2E programmes and PLPs from April 2006. Eight of these 13 employers thought that the change would lead to fewer young people taking up apprenticeships.
- All 25 training organisations contacted expressed negative views concerning the change, fearing that it would create a negative incentive for young people and would result in an increased administrative burden for their organisations.
- Five of the 40 LLSCs contacted supported the change, while 33 voiced mainly critical sentiments largely supporting the views expressed by the training provider organisations. Two felt it was too early to tell how it would affect the take-up of apprenticeships.
- Just under half of the 62 employers were aware of the change introduced in August 2005, requiring employers to pay waged trainees a minimum of £80 per week. Only seven respondents expressed strongly negative views of this change.
- While 15 employers thought that the change might impact on their ability to take on apprentices in the future, 37 respondents reported that it made no difference to their organisations as they either already paid at or above the £80 level or because they only took on unwaged learners. The remaining employers were not sure what effect it would have.

### 6.1 Introduction

This chapter explores stakeholders' views of the extension of EMA payments to young people undertaking programme-led pathways (PLPs) from April 2006, and on the requirement since August 2005 to pay waged apprentices a minimum of £80 per week.

## 6.2 Views on the roll-out of EMAs

As pointed out in the key findings above, interviews with stakeholders were undertaken before the communications package regarding the extension of EMA to PLPs was rolled out by the LSC from November 2005 onwards. It is also worth noting that this study did not set out to compare MTA and EMA, but that interviews with LLSCs, employers and training providers contained some limited questions seeking their views on the extension of EMA. However, most interviewees regarded EMA as a direct replacement for MTA, and were keen to make direct comparisons between the two, which is reflected in the reported findings in this section.

### 6.2.1 Employers' awareness and views

Of the 62 employers, just under a third (20) were aware of EMAs, while 42 were not familiar with them. However, of the 20 who were familiar with the term, only 13 were aware of the EMA extension from April 2006.

The 20 respondents who were familiar with the EMA (but not necessarily aware of the forthcoming change) were also asked to express their views of this and what impact they thought it would have on their organisation and their ability to offer apprenticeships. Overall, eight respondents expressed negative views of the change, while five held more of a mixed view, being able to identify both positive and negative aspects. The remaining seven employers either said they had no strong views or said they were unsure of what impact it would have.

Negative comments referred mainly to the detrimental impact it would have for apprentices rather than on the organisation. Even though several interviewees recognised that the change would benefit many families' overall income, they were concerned about the impact on the individual learner. As one respondent pointed out:

*I can't see that EMAs will work in work-based learning, because young people see 'work' as very different from education. Some young people will end up means tested [sic] and 'working' for nothing, so I can't see that working. Of course overall the family should benefit, but some parents may not pass on family benefits and tax credits to the young person and so that will be a difficulty for them.*

Others were concerned that the change would lead to fewer trainees taking up apprenticeships as a result. One respondent also thought that they would lose trainees: 'We will have difficulties recruiting next year. The ones here now may well be leaving next April – many have said so to me! I can't see any positives'. This last comment showed that several respondents were not aware of the full details of the change, in particular that existing trainees would

continue to receive the MTA until the end of their provision or 31<sup>st</sup> December 2006, whichever was the sooner.

Those holding more mixed views on the change were able to identify positive impacts, including ‘where learners in temporary accommodation can still claim benefit’. Another respondent, generally saw the extension of EMAs as:

*A good move because it's equitable across the board, whether you do work-based learning or further education or you stay on at school. It should enable young people to make a better choice – a freer choice because all avenues are the same. But it's a worry that it's means tested [sic], because it may disadvantage some. It's not just the EMA but also the bonus payments that some won't be eligible for.*

### 6.2.2 Training providers' views on the extension of EMAs to PLPs

All 25 training organisations contacted expressed negative views concerning the extension. A comment repeated by many respondents was that even though the MTA had its faults, it is ‘working well, so why change it?’ Many interviewees were worried that it would lead to fewer young people choosing apprenticeships in favour of staying on at school, continuing in further education, or, more probably, moving into paid work without training.

Respondents' main concerns were that it would:

- create a **negative incentive** for those young people who do not qualify for the EMA because of their parents' income or whose parents do not pass on the benefits they receive (16 respondents)
- result in an **increased administrative burden** for training providers (15 respondents)
- lead to several **apprentices getting considerably less** money than they are earning now, especially in those LLSC areas which currently pay above the £40 minimum rate (12 respondents)
- lead to a **reduction in the number of apprentices in particular sectors** such as childcare, which tend not to be willing to employ trainees until they are 17 years old
- be **less flexible** to adapt to regional variations, especially in those areas with high travel costs (eight respondents)
- **hamper their ability to engage new employers** or encourage others to take on less skilled trainees by offering them an initial unwaged trial period (six respondents).

One of the reasons for the negative reaction from training providers appeared to be the view that even though they are in ‘the forefront of delivering training for apprentices’, they did not feel they had been sufficiently consulted about such an important change. As one respondent put it:

*There is fall-out for us every time the system changes and we did not even know about it until the contract with the LSC was renewed in July.*

Several interviewees also commented on the fact that at the time the interviews were conducted (in early autumn 2005), they had been given no or very few details of the proposed change and so could not plan ahead.

### **6.2.3 LLSCs' views on the extension of EMAs to PLPs**

The LLSCs' response to the extension was fairly consistent with those of the training organisations, although there were some more positive views. Five LLSCs were generally in favour of the change, although they recognised that it would cause some difficulties. Two felt it was too early to tell, while 33 voiced negative sentiments about the extension of EMAs.

Those in favour of the change saw it as abolishing the current 'two tier system', benefiting low-income families, and encouraging training providers 'to engage employers more'.

Critical comments related mainly to the **negative incentive** it was feared it would have on young people leading to a reduction in the number of school leavers choosing apprenticeships. In particular, respondents were concerned that:

- young people would choose further education or school rather than apprenticeships because it offered them the same money for what was perceived to be 'a lot less work'. As one respondent put it: 'More and more will choose FE because they're entitled to the same amount of money, but in work-based learning they would work a lot harder and have longer hours and so it will be less attractive to them.'
- those who would get only £10 per week or nothing would be encouraged to go into jobs without training or become NEET, because 'they can get a larger income signing on'.
- it would lead to a strong sense of injustice among apprentices 'if some had £30, some less than that and some nothing at all'.
- in some sectors, opportunities for 16-17 year olds would be reduced because there is a reluctance to employ them until they reach the age of 17. 'In social care and early years they might need to work for six months to two years for nothing if they don't qualify for the EMA, so they won't consider it'.
- there would be no travel allowance with the EMA and that this would badly affect rural areas.

Other issues raised included the administrative burden it placed on training organisations and that it would negatively affect borough council provision, which relies heavily on the MTA system.

### 6.3 Views on changes in the funding of waged apprentices

Just under half (29) of the 62 employers contacted as part of this study were aware of the change introduced in August 2005, which requires employers with waged trainees to pay a minimum payment of £80 per week. All respondents were asked two follow-up questions on what they thought of the change and how it would impact on their organisation, regardless of whether they were aware of the change.

Of the 36 respondents who felt able to express a view of this change, eight said they saw it as a positive development – as one employer put it: ‘It’s an excellent move because it identifies quality employers who stay with the programme and pay a fair wage’. Similar comments were made by other respondents. One interviewee, for example, commended it as ‘an excellent idea because it values the person more for what they do’.

Only seven employers expressed strongly negative views of this change. In particular, it was seen as ‘pricing small employers out of being able to offer trainees a place’. This view was put forward by one employer, who said that they themselves were not affected by this change:

*I think it’s a big mistake by the LSC to go along this road. We pay more than this, but we are good payers in hairdressing. Some small salons just can’t afford to pay trainees £4k per year, so it will stop a lot of salons taking on trainees and it will drive a lot of youngsters into college instead; and I know the hairdresser from a college is a year behind the experience of a salon-based one.*

Similarly, a small employer working in the animal care sector with only five part-time staff (three of these apprentices) said that this change would mean she could not afford to have trainees:

*College advised me to pay the trainees £40 per week, but I actually pay them £60 per week. I am a little concerned that you tell me waged trainees have to be paid £80 per week. If I had to do that I wouldn’t have three trainees – I would offer a position to a part-time adult instead.*

Overall, almost a quarter (15) of respondents thought that the change definitely would or might impact on their ability to take on apprentices in the future – including not being able to take on any trainees or taking on fewer trainees than at the moment. (It is worth noting though that six of those employers reporting that it might have an impact currently only had unwaged trainees and so may have mistakenly believed that both waged and unwaged trainees were required to be paid £80 per week. Furthermore, the sample is not expected to be representative of all employers, as it was intended to contain a higher proportion of those currently relying on training allowances

to subsidise their trainees). Analysis by size of organisation suggested that sole traders with fewer than ten employees were more likely than others to report an impact of the change. Thus, eight of the 15 employers who said it would have an impact fell into this category.

Ten employers said they were not sure what impact the change would have, while 37 respondents reported that it made no difference to their organisation. The main reasons given for why it had no impact were that they already paid at the £80 level (three respondents) or above it (13 respondents). Others either gave no detailed explanation or said that they only took on unwaged learners, so that it had no bearing on them.

## 7. Conclusions and recommendations

This chapter presents the main conclusions and implications of this study and presents key considerations arising from the research related to the future development of policy aimed at incentivising apprenticeship learning.

### 7.1 Implications relating to young people

The first section considers the implications of the research findings for young people in work-based learning.

#### 7.1.1 The payment of training allowances

The research has identified a wide variety of views and experiences of training allowance payments across the country. While the majority of LLSCs had set the MTA payable to unwaged trainees at £40 per week, almost one third paid out higher or variable rates, resulting in very diverse payment experiences. Furthermore, there was evidence of employers providing top-ups or paying training allowances to apprentices via their training organisations. This was reflected in the findings from the trainee survey, which showed that those apprentices reporting to be currently receiving a training allowance were receiving extremely varied levels of payment. While almost one third was receiving £40 or less each week, roughly the same proportion said they were getting in excess of £60 per week.

#### 7.1.2 Incentive effects of training allowances

Initial analysis of the data suggested that the MTA had a minimal impact in incentivising young people to take up apprenticeships. Only just under one third of the trainees responding to the survey were satisfied with their level of payment. In contrast, more than half were dissatisfied, and two fifths reported being so dissatisfied that they had considered leaving their apprenticeship. However, the diverse payment experiences of those claiming to be in receipt of a training allowance complicated the analysis of the incentive effect of the MTA, as higher payments (sometimes combining MTA and employer top-ups) could not be assumed to have the same effect as an MTA of just £40. To this end, the research team examined the effects of level of pay on apprentice satisfaction. The analysis showed that apprentices receiving **£40 per week or less** and those not receiving any extra payments on top of their allowance (for example towards transport or work clothes) were **significantly less satisfied** with the payments received than those receiving higher amounts.

The analysis also found that more than one quarter of apprentices who had dropped out had left because they thought they were not getting enough money, and a link was identified between the increased uptake of part-time work by apprentices and the perceived need to supplement income. Thus, those trainees receiving the **lowest payments** (£40 per week or less) were more likely to state that they had taken up part-time work in order to **earn extra money** than those receiving higher sums.

These findings strongly support the conclusion that the amount young people receive while doing an apprenticeship is very important in ensuring take-up and continued motivation among young people. Indeed, some LLSC and training provider interviewees suggested that the minimum allowance should be raised to approximately £50 per week.

Responses to the survey also indicated that, had the young people been made aware before starting their apprenticeship that they would receive no payment at all for doing so, 63 per cent of them would have chosen an alternative route.

Whilst it would seem that the availability of finance does encourage some young people into work-based learning, especially where payment is above the minimum level of £40 per week, the evidence from interviews with LLSCs and training providers suggested that the MTA was not a key factor in ensuring **completion** of apprenticeships. If anything, those young people who received a training allowance beyond the initial period of their training were reported, by training providers and LLSCs, to be more likely to become dissatisfied and move into more highly paid jobs, often without training. The **greatest incentive** to complete an apprenticeship was regarded to be being awarded a **waged position with a company**. The availability of training allowances was felt to have initial incentive effects for certain young people, especially 16 year old school leavers for whom £40 per week could seem a reasonable sum of money. However, the continued retention of young people on training allowances was found to be counter-productive to successful completion of apprenticeships.

This strongly suggests that training allowances should be regarded as a short-term measure or stop-gap only, and not as a long-term solution to the funding of work-based learning placements. However, some interviewees suggested that longer-term use of training allowances may be appropriate in certain circumstances, for example to support young people:

- with ALS needs
- within the NEET group
- working within the childcare sector, where young people cannot work unsupervised, and are not counted in staffing ratios, until they reach the age of 17 (DfES, 2003)

- working for very small-scale employers, which lack the capacity to employ an additional member of staff.

## **7.2 Implications relating to employers**

The following section considers the implications of the research findings for employers working with apprentices.

### **7.2.1 Understanding of training allowances**

Just over half of the interviewed employers, and most of those with unwaged apprentices, were familiar with the system of training allowance payments, although they demonstrated a diversity of views regarding their nature and purpose. Training providers and LLSCs were keen to point out that most employers were encouraged to view training allowances as a short-term measure, and not as a substitute for engaging waged apprentices, although employer practice in this regard was somewhat mixed. The research suggested that an increasing number of training providers had adopted proactive approaches aimed at ensuring that apprentices received employed status within the first six months of their training and that employers did not rely on the MTA to subsidise the entirety of their training. Indeed, LLSC interviewees noted that practice had substantially improved since the introduction of the LSC guidance in September 2005.

However, this was not universal across all providers. Some used the MTA as an incentive to increase employer take-up and retention, while others did not put much pressure on employers to employ their unwaged trainees. Indeed, two fifths of training providers indicated that some of their trainees received an MTA for the whole period of their training.

Given the points raised in Section 7.1.2 above about the increased likelihood of drop out amongst young people retained on a training allowance for a considerable period of time, it is an issue of some concern that some young people remain on a training allowance for the entire period of their training with an employer.

### **7.2.2 Incentive effects of training allowances**

The research showed, conclusively, that training allowances provided a strong incentive for some employers to take on apprentices. In particular, it enabled them to take on more young people, younger apprentices and young people working fewer hours than a full-time member of staff, than they would otherwise be willing to do. Additionally, training allowance payments were said to give employers the opportunity to 'try out' apprentices before committing to them. A small number of employers with unwaged apprentices said that they would have taken on apprentices with or without the availability

of an MTA. Although a minority occurrence, this raises a question about why these employers had been offered the option of using training allowances as a source of funding. This suggests that there is a key role for LLSCs and training providers to ensure that such practice occurs as rarely as possible.

In conclusion, although practice in relation to the use and payment of MTAs appears to have improved, there is still room for greater standardisation. Training providers need to be encouraged to use the unwaged apprenticeship route for long periods of time only in exceptional circumstances (examples of which are outlined in Section 7.1.2 above) and to persuade employers to take on apprentices on waged status as soon as possible. Training providers should also be discouraged from promoting apprenticeships as being of 'no cost' to employers, as was reported to be occurring in a small number of cases.

### 7.3 Views on the extension of EMAs to PLPs

This research has revealed a number of concerns about the extension of EMAs to PLPs. However, as noted in Section 6.2, the study was conducted prior to the roll-out of the LSC communication strategy regarding the EMA extension from November 2005 onwards and some of interviewees' fears and issues reported may have been allayed since then. The following comments reflect on those points which are still likely to be an issue for key stakeholders.

A number of LLSCs and training providers felt frustrated because they considered they had not been adequately consulted and properly briefed about the extension, but insisted that they had heard about it in a non-systematic fashion to that point<sup>13</sup>. The fact that the LSC communication strategy commenced in November 2005 was seen as having two key implications:

- By that time, fears, concerns and rumours about the implications for young people on PLPs were widespread (as this study has illustrated).
- Practitioners felt that they had been left with insufficient lead-in time to plan and prepare for this major funding reform in April 2006.

Most LLSCs, and training providers in particular, were apprehensive about the fact that the amount of **direct payment** for young people undertaking apprenticeships will be lower through the EMA (where young people receive a maximum of £30 per week, which reduces to no payment at all where gross family income is above the threshold level of £30,000 per annum) than through the MTA (where payment is at the rate of £40 or more per week for all unwaged apprentices). Even though families with young people receiving EMA are eligible to receive child benefit and child tax credit (which is not the

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<sup>13</sup> Although it is worth noting that they would have been informed about the WBL Funding Requirement by the LSC in July 2005.

case under MTA), interviewees were concerned that many trainees would not see the benefits of this whole 'financial package'. Their concern was that young people would be aware only of the amount they received in direct payment, and that £30 per week or less may not be regarded as a sufficient incentive to embark upon an apprenticeship. This finding was supported by analysis of the trainee survey. It found that even though one-third of apprentices reported that they had lost some benefits as a result of starting their training, there was no evidence that loss of benefit was linked with apprentices overall levels of satisfaction of their payments received.

Interviewees were also concerned that young people who proved not to be eligible for an EMA (and whose employers did not agree to pay them a wage of £80 per week from the start of their training) would be unlikely to be prepared to work for an employer for no pay. First and foremost, interviewees suggested that these young people view their apprenticeships as 'work', and hence expect some form of direct payment for their efforts. There was a general view that many such young people would, in future, be more likely to choose learning options such as college-based programmes, or, more probably, paid work without training.

Recent DfES and LSC publications suggest a change in emphasis from increasing the number of young people **starting** apprenticeships towards increasing the quality of provision (DfES and LSC, 2004). This is reflected in the target set out in the Government's Five-year Strategy document, that by 2008, the numbers **completing** apprenticeships will have risen by three-quarters (DfES, 2004). The extension of EMA to PLPs may contribute to this target by encouraging training providers to concentrate their efforts on working with those employers who value apprenticeships and are willing to employ trainees from the first day of their training. However, it should be recognised that this may, at least in the short term, result in a reduction in the number of apprentices, especially in those sectors which, this study has shown, currently rely very heavily on the MTA.



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## Appendix A. Representativeness of respondents to the survey of trainees

A representative sample of 5,000 trainees was drawn from the data on 19,932 trainees who were identified on the ILR as being unwaged trainees, who started an Apprenticeship or Advanced Apprenticeship within the last three years (and if they had left this training, did so within the last three months), and are aged 16-24 years. The sample was representative in terms of programme type and completion status, and background characteristics such as gender and additional support needs status.

A total of 1,587 trainees responded to the questionnaire survey between September and October 2005. As Table A.1 shows, the trainees who responded to the survey were broadly representative of the population of trainees as a whole. However, as tends to be the case in questionnaire surveys generally, a greater proportion of the respondents were female, compared with the sample as a whole.

**Table A.1 Characteristics of trainees: responding trainees and the population of trainees**

<b>Characteristic</b>	<b>Respondents to trainee survey %</b>	<b>Population of trainees from ILR %</b>
<b>Programme type</b>		
Advanced Apprenticeship	11	11
Apprenticeship	89	89
<b>Completion status</b>		
Learner is still on programme	94	90
Learner has withdrawn from the programme	6	10
Learner has transferred to a new learning aim	0	0
<b>Additional learning needs</b>		
No additional learning needs	74	74
Additional learning needs	18	18
Additional social needs	4	3
Additional learning and social needs	4	4

<b>Characteristic</b>	<b>Respondents to trainee survey %</b>	<b>Population of trainees from ILR %</b>
<b>Age</b>		
16-18	89	88
19-24	11	12
<b>Gender</b>		
Male	37	45
Female	63	55
<b>Total N=</b>	<b>1587</b>	<b>19932</b>

*All those for whom data was available on ILR*

*Due to rounding, percentages may not sum to 100*

*Source: NFER evaluation of the role of Training Allowances in incentivising the behaviour of young people and employers: Individualised Learner Record*

## Appendix B. Background information on responding employers

Table B.1 presents the characteristics of the 62 employers that responded to the telephone survey.

**Table B.1 Characteristics of responding employers**

	<b>Number of responding employers</b>
<b>Number of employees at that location</b>	
Less than 10	26
10 to 49	16
50 to 99	2
100-199	2
200-249	1
250 and over	15
<b>N=</b>	<b>62</b>
<b>Number of establishments belonging to the organisation in the UK</b>	
This is the only establishment	28
Other establishments exist	34
<b>N=</b>	<b>62</b>
<b>Number of employees in the company as a whole across the UK</b>	
Less than 10	2
10 to 49	5
50 to 99	0
100 to 199	1
200 to 249	0
250 and over	25
Unknown	1
<b>N=</b>	<b>34</b>
<b>Industrial sector</b>	
Childcare	13
Health Care and Public Services	12
Business Administration	4
Retailing and Customer Service	4
Agriculture	3
Leisure, Sport and Travel	3

<b>Number of responding employers</b>	
Hair and Beauty	3
Manufacturing	3
Transportation	2
Management and Professional	2
Construction	1
Engineering	1
Other	10
Unknown	1
<b>N=</b>	<b>62</b>

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