



The Future of Apprenticeships in England

IoD response to DfE/BIS consultation

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24 May 2013

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Dear Ms Romain,

Thank you for giving the Institute of Directors (IoD) the opportunity to respond to the consultation paper *The Future of Apprenticeships in England: Next Steps from the Richard Review*, published jointly by the Department for Education and the Department for Business, Innovation and Skills in March 2013. The IoD has been a consistently interested observer of, and commentator on, the development of public policy relating to Apprenticeships,¹ and we are pleased to participate in the current consultation. This paper presents our comments on some of the key themes discussed in the consultation. We do not address each question individually; we hope to schedule further research on this subject later this year, and will subsequently be able to offer more detailed analysis of Apprenticeships policy and delivery.

About the IoD

The IoD was founded in 1903 and obtained a Royal Charter in 1906. It is an independent, non-party political organisation of approximately 35,000 individual members. Its aim is to serve, support, represent and set standards for directors to enable them to fulfil their leadership responsibilities in creating wealth for the benefit of business and society as a whole. The membership is drawn from right across the business spectrum. 71% of FTSE 100 companies and 51% of FTSE 350 companies have IoD members on their boards, but the majority of members, some 70%, comprise directors of small and medium-sized enterprises (SMEs), ranging from long-established businesses to start-up companies.² IoD members' organisations are entrepreneurial and growth-orientated. More than half (57%) export goods and services internationally. IoD members are at the forefront of flexible working practices and are fully committed to the skills agenda: nine-in-ten provide training for their employees.

¹ See, for example, Harris, M. *Modern Apprenticeships: an assessment of the Government's flagship training programme* (IoD, August 2003); IoD written and oral evidence to the House of Lords Economic Affairs Committee (January 2007); IoD written evidence to the House of Commons Education and Skills Select Committee (January 2007); Templeman, M., "What Business Wants from Apprenticeships", in *Staying the Course: Changes to the Participation Age and Qualifications* (Social Market Foundation, March 2008), pp. 63-73; IoD response to *World-class Apprenticeships: Unlocking Talent, Building Skills for All* (DIUS/DCSF, January 2008); Harris, M., *Apprenticeships: from 'ugly duckling' to swan?* (IoD, July 2008); and IoD response to *Skills for Sustainable Growth* (BIS, July 2010).

² Source: IoD membership statistics, 2013.

IoD response: summary

The consultation document sets out a major potential programme of reforms to Apprenticeships. In principle, there is much to support within the proposals. The IoD particularly welcomes:

- The promised emphasis on quality and rigour;
- The recognition of the centrality of the relationship between employer and apprentice;
- Ensuring employers are treated as customers at the heart of the system;
- The focus on ‘real jobs’;
- The focus on Level 3 Apprenticeships as opposed to Level 2;
- The proposal to replace Apprenticeship frameworks with qualifications;
- The emphasis on English and maths, ensuring that completion is dependent on Level 2 achievement in these subjects; and
- The recognition of the importance of off-the-job learning (making it a mandatory component of all Apprenticeships).

Overall, therefore, the consultation presents a generally positive prospectus for reform. Indeed, some of the key proposals (including the emphases on quality and rigour, on Level 3 rather than Level 2, on a base level of achievement in English and maths and on the importance of off-the-job learning) echo recommendations the IoD itself made almost a decade ago.³

However, other proposals put forward in the consultation have less obvious merit or are a cause for concern. They include:

- The proposal that there be a single standard set for each occupation or major job role, with a single associated qualification;
- The proposed contest model to determine the single standard for each occupation;
- The structures to channel employer leadership of Apprenticeship design; and
- The proposals regarding funding.

It is on these areas that we primarily focus in our response, supplemented by brief comments on miscellaneous additional issues raised in the consultation.

IoD response: specific issues

1. A single standard for each occupation or major job role

The consultation recognises the “strong arguments” set out in the Richard Review that there should be a single standard set for Apprenticeships, and the “strong case” for there to be a single qualification associated with this standard. The paper argues that this approach “could maximise recognition, consistency and transferability, and make it easier to assure that quality is maintained.”⁴

This may well be true. However, the IoD is very concerned that such gains would come at the expense of flexibility, reducing the responsiveness of the system to employers’ needs. The consultation proposes two possible approaches to take account of the need for flexibility: a ‘core and options’ approach and a market in qualifications approach. We welcome the Government’s recognition that the Richard Review recommendations would impose too much of a straightjacket; but we worry that – in practice – neither the ‘core and options’ approach nor the ‘single standard plus market in qualifications’ approach will deliver the required level of system responsiveness expected by businesses.

³ See: Harris, M. *Modern Apprenticeships: an assessment of the Government’s flagship training programme* (IoD, August 2003).

⁴ *The Future of Apprenticeships in England: Next Steps from the Richard Review* (Department for Education/Department for Business, Innovation & Skills), March 2013, p. 11.

It has been some time (2008) since the IoD conducted dedicated research on its members' use and experience of Apprenticeships. Nevertheless, the results of that exercise are worth citing in the current context as they give an insight into the value attached by employers to the flexible and speedy development of new Apprenticeship frameworks. Our 2008 research explored directors' perspectives on a range of measures proposed by the then government to encourage employers to offer more apprenticeship places. The survey sought the views both of those employers already offering Apprenticeships, and those not. Table 1 presents some of the findings.

Table 1		
“Which of the following initiatives would encourage your organisation: to offer more Apprenticeship places than it does currently/to offer Apprenticeships?”		
	Apprenticeship employers [83]	Non-Apprenticeship employers [404]
Financial incentives for large companies to train more Apprentices than they need, for benefit of supply chain	60%	30%
Government contribution to wage costs of Apprentices in organisations with <50 employees	55%	39%
An online matching service, where employers can place vacancies and search for suitable Apprentices	53%	36%
Faster development of new Apprenticeship frameworks responsive to individual employers' needs	48%	36%
Greater flexibility – e.g. allowing employers to create their own Apprenticeship frameworks	48%	34%
Less regulation and bureaucracy in the Apprenticeship programme	48%	36%
Greater administrative support to help employers and Apprentices through an Apprenticeship	26%	29%
A change of name/branding – ‘Apprenticeship’ doesn’t sound like a programme suitable for our organisation	-	18%
More information about the programme	-	37%
None of the above	6%	40%

Source: IoD Apprenticeships survey, 2008. GfK NOP interviewed a representative sample of 500 IoD members in February and March 2008. 17% (83) said that their organisation currently used Apprenticeships to train some of their employees. 81% (404) did not. 3% (13) did not know.

Table 1 illustrates the considerable level of employer demand both for the fast development of Apprenticeship frameworks tailored to the need of individual employers, and for businesses to be given the flexibility to design their own Apprenticeships. Despite the time that has elapsed since the survey was conducted, it remains a strong signal of the danger inherent in following an approach that would curtail flexibility and responsiveness.

Indeed, there is already a question mark over the degree to which the Apprenticeship market is responsive to employers' needs. As the National Audit Office commented in its 2012 report:

“Training providers decide which frameworks to offer in response to local demand, and they concentrate on a subset of frameworks that are delivered in bulk. In 2010/11, 83% of new apprenticeships were in 15 (out of 118) framework subjects. The [National Apprenticeship] Service...could do more to systematically monitor how well the market meets the needs of employers.”⁵

The obvious worry is that proposals for single standard sets, underpinned by single qualifications, could take us even further away from a responsive Apprenticeship system. We are not convinced that they are

⁵ National Audit Office (2012), *Adult Apprenticeships. Report by the Comptroller and Auditor General*, p. 8.

the right way forward. Nor, on the basis of the very limited detail provided in the paper, are we confident that the two mitigating approaches set out in the consultation even *approach* the level of system responsiveness IoD members are looking for. **We suggest that these proposals be fundamentally re-thought.**

2. Standard setting criteria

Page 12 of the consultation presents a list of criteria as the basis for setting Apprenticeship standards. The list looks reasonable, but there appears to be considerable overlap between the following two criteria:

- Deliver transferable skills
- Include skills which are relevant and valuable beyond just the current job, supporting progression within the sector

We would not wish to downplay the development of transferable skills – this is clearly desirable and important. But it should be a subordinate aim of any Apprenticeship, below the primary objective of inculcating the specialist skills necessary for an apprentice to fulfil a particular role. In view of that, if the development of wider skills is explicitly to be mentioned within the list of standards criteria, we would suggest that the second bullet above ought to be sufficient on its own. The Government should also ensure that the issue of transferability doesn't become the tail that wags the dog. We understand the desire to facilitate progression within a sector, but if the balance of focus within the criteria leans too heavily in favour of sector-relevant skills rather than role-specific skills, this could easily exacerbate the points made earlier regarding the responsiveness of the system to individual employers' needs.

3. Designing the standards and qualifications

The consultation paper discusses the Richard Review recommendation that the Government “should run a contest to select the Apprenticeship standards for each occupation”, a proposal that the paper describes as having “many benefits”.⁶ The IoD is considerably less confident about the merits of this particular proposal. As the Government acknowledges, the ability of different sectors to respond to the challenges of a competition will vary considerably. Moreover, there must be room for doubt that such a contest, with different propositions from organisations competing against each other, would spur employer co-operation and engagement. How will those unsuccessful in the competition react? Will the process engender a sense of shared purpose, or unnecessary rivalry? If, say, two leading supermarket retailers went head to head with competing bids, would the losing party wish to endorse and use the other's Apprenticeship model for the good of the sector? There is enough uncertainty here to challenge the proposed model. A competition may establish, for that moment in time, the standards appropriate to a particular Apprenticeship. But the labour market is dynamic, the fundamentals of jobs evolve and no set of standards can be future-proof. If one recognises that point, then the effort that would be expended in an upfront competition to define the single set of standards seems questionable at the very least.

4. The structures to channel employer leadership of Apprenticeship design

The consultation further states that, “Once standards are agreed, which would be for a defined period, it will be important for the employers that developed these to keep under review whether they continue to be appropriate or need updating.”⁷ There is a worrying lack of detail here, which prompts numerous follow-up questions. How long would the “defined period” be? How would the standards be kept under

⁶ *The Future of Apprenticeships in England: Next Steps from the Richard Review* (Department for Education/Department for Business, Innovation & Skills), March 2013, p. 13.

⁷ *The Future of Apprenticeships in England: Next Steps from the Richard Review* (Department for Education/Department for Business, Innovation & Skills), March 2013, p. 13.

review? How would agreement about subsequent necessary changes be reached? Would this process be collaborative or competitive? We are not well-placed to comment conclusively on the efficacy or otherwise of existing arrangements for determining the content of Apprenticeship frameworks, but anecdotal evidence suggests that there is (considerable) room for improvement. A decision to adopt a single set of standards for each Apprenticeship raises the stakes even higher, and thus the importance of the arrangements still further. To our earlier concerns about the single standard approach not providing sufficient flexibility or responsiveness to the changing needs of employers we add practical concerns about the effectiveness of keeping these standards under active review and updated.

5. Funding

The section of the consultation document addressing funding issues is extremely light on detail. This is disappointing, as how best to give employers effective purchasing power is a key issue. It seems clear from the paper that the Government harbours doubts about the Richard Review’s preferred approach of government funding Apprenticeships through the tax system. The IoD shares these doubts and opposes the introduction of any further complexity into the UK tax system. However, given that the consultation does not table any explicit questions on funding, it is difficult to explore the issue any further.

6. Level 3 versus Level 2

Section 1 of the consultation paper outlines the Government’s intention that “more Apprenticeships will target achievement to level 3 or higher than do today.”⁸ The IoD strongly supports this realignment. As the National Audit Office noted last year, most Apprenticeships in England are at a lower level than those in other countries, with only a third at advanced level, compared with 60% in France.⁹

	<i>Age</i>	<i>2005/06</i>	<i>2011/12</i>	<i>Change</i>
Intermediate Level Apprenticeship	Under 19	77,100	95,400	+18,300
	19-24	45,600	101,700	+56,100
	25+	100	131,900	+131,800
	Total	122,800	329,000	+206,200
Advanced Level Apprenticeship	Under 19	22,400	34,100	+11,700
	19-24	29,500	58,000	+28,500
	25+	200	95,700	+95,500
	Total	52,100	187,900	+135,800
Higher Apprenticeship	Under 19	-	300	+300
	19-24	-	1,700	+1,700
	25+	-	1,700	+1,700
	Total	-	3,700	+3,700
All Apprenticeships	Under 19	99,500	129,900	+30,400
	19-24	75,200	161,400	+86,200
	25+	300	229,300	+229,000
	Total	175,000	520,600	+345,600

Source: Data Service Statistical First Release DS/SFR12, 27 October 2011; Data Service Statistical First Release DS/SFR18, 27 March 2013.

⁸ *The Future of Apprenticeships in England: Next Steps from the Richard Review* (Department for Education/Department for Business, Innovation & Skills), March 2013, p. 8.

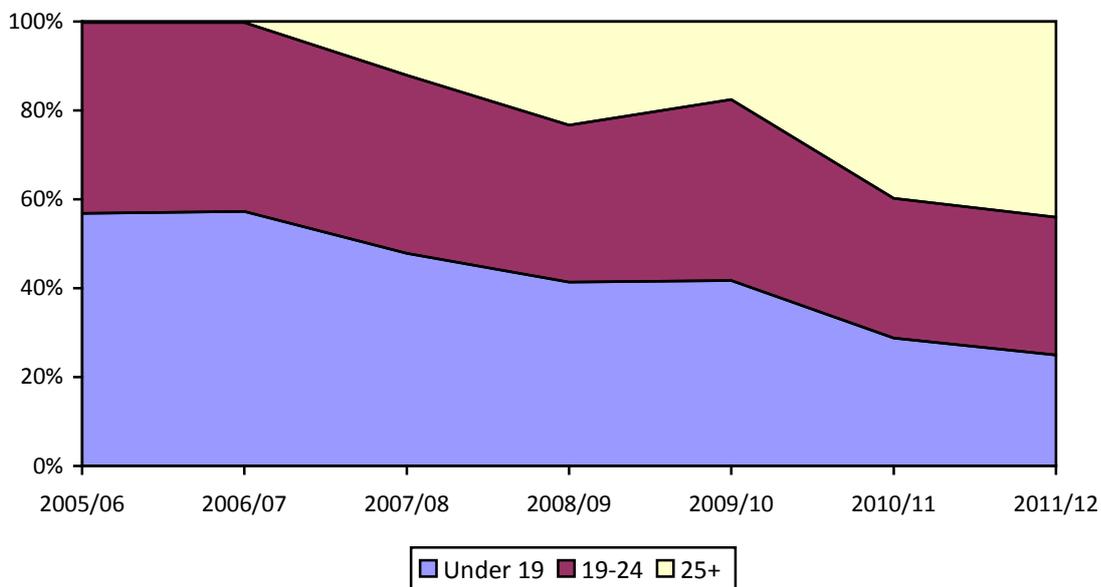
⁹ National Audit Office (2012), *Adult Apprenticeships. Report by the Comptroller and Auditor General*, p. 6.

It is important to recognise the steps that have already been taken to increase the number of Level 3 (Advanced Level) Apprenticeships. As Table 2 illustrates, the absolute number of Advanced Level Apprenticeship starts increased from 52,100 in 2005/06 to 187,900 in 2011/12. However, it is equally important to set the figure in context. The increase in Intermediate Level Apprenticeships was even greater, from a higher base. As such, Advanced Level Apprenticeships remain very much in a minority, constituting just 36% of all Apprenticeship starts in 2011/12. We welcome the progress that has been made, but the scale of the rebalancing challenge is significant. The Government should accelerate the shift of emphasis from Intermediate Level to Advanced Level Apprenticeships.

7. Apprenticeship provision for the under-19s

Building on the comments in section 6 above, we would also highlight the contrasting fortunes of the over-25s and the under-19s. Between 2005/06 and 2011/12, the total number of Apprenticeship starts almost trebled, from 175,000 to 520,600. Just 9% of that increase was accounted for by the under 19s, 25% by those aged 19-24, and fully 66% by those aged over 25. In 2005/06, the under-19s accounted for the majority (57%) of Apprenticeship starts. By 2011/12, this market share had shrunk by more than half, to 25%, as illustrated in Chart 1 below.

Chart 1: Apprenticeship starts (all levels) by age, 2005/06 to 2011/12

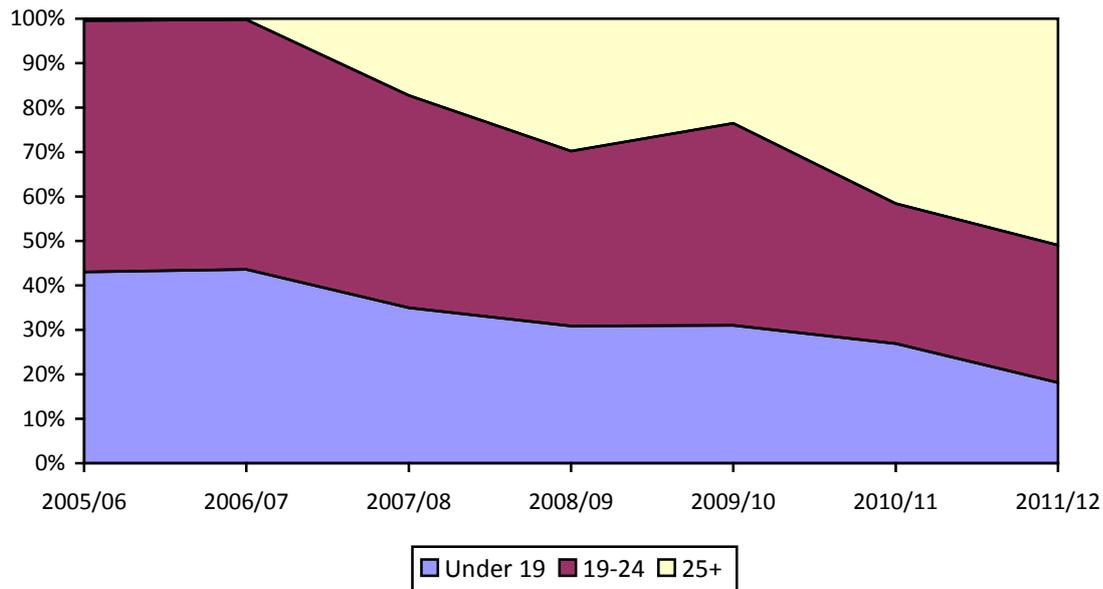


Source: Data Service Statistical First Release DS/SFR12, 27 October 2011; Data Service Statistical First Release DS/SFR18, 27 March 2013.

This is a profound change, in a very short period of time. It also represents, inevitably, a profound change of identity: Apprenticeships have progressively become an adult skills programme, oriented ever further away from those aged under-19. In addition to the rebalancing of the programme back towards Level 3, the Government should also consider a similar restructuring in favour of the under-19s, whose labour market opportunities have become so tightly squeezed.

The growth in the number of young people achieving Level 3 Apprenticeships has been particularly anaemic. The absolute number of starts at this level by the under-19s increased from 22,400 in 2005/06 to 34,100 in 2011/12, an increase of 11,700. This compares to an increase of 95,500 in the number of Advanced Level starts by the over-25s in the same period. Over that six-year period, the under-19s' market share of Advanced Level Apprenticeship opportunities declined from 43% to just 18%, as shown in Chart 2 overleaf.

Chart 2: Advanced Level Apprenticeship starts by age, 2005/06 to 2011/12



Source: Data Service Statistical First Release DS/SFR12, 27 October 2011; Data Service Statistical First Release DS/SFR18, 27 March 2013.

Of course, these statistics relate to the total number of Apprenticeship starts. The total number of Advanced Level ‘framework achievements’ by those aged under 19 increased from 14,000 in 2005/06 to 21,300 in 2011/12. However, to put that figure into perspective, it still significantly undershoots the target of 40,000 young people a year qualifying at Level 3 set by the Conservative government in the *early 1990s*.¹⁰

As recorded above, the IoD supports the Government’s aim to prioritise Apprenticeship achievement at Level 3. As part of that effort, it should particularly focus on the increasing the opportunities afforded to those aged under 19. This age group has benefitted the least from the dramatic increase in Apprenticeship starts seen in recent years.

Thank you once again for inviting the Institute of Directors to participate in this consultation. We hope you find our comments useful and look forward to seeing the consultation report and to further engagement on ensuing policy changes. If we can provide further information on any of the issues discussed, please do not hesitate to contact me.

Yours sincerely,

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¹⁰ Source: Steedman, H., *Apprenticeship policy in England: Increasing skills versus boosting young people’s job prospects*, Centre for Economic Performance, December 2011, pages 1 and 6.