

**Submission by Edexcel Ltd to the House of Commons Innovation, Universities, Science and Skills Select Committee, concerning scrutiny of the Draft Apprenticeships Bill.**

Author: Gerry Rogers; Policy Manager. Tel: 020 7190 4472. Email: [Gerry.Rogers@Edexcel.org.uk](mailto:Gerry.Rogers@Edexcel.org.uk).

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The thrust of this submission is that the Bill, as presently drafted, would appear not to address the following issues:

- the 7:1 imbalance between potential apprentices and employer places, illustrated by the 70% disinterest on the part of surveyed SMEs
- the critical success factors which would make apprenticeships attractive to employers and lead to effective policy implementation
- ways in which the blueprint and frameworks might accommodate effective in-house training by large employers
- opportunities for leadership on the part of public sector employers
- key obstacles to increased participation by potential apprentices of all ages

The Bill would therefore appear to fine-tune a system which, as presently conceived, will not achieve policy objectives.

**1. Does the bill meet the Government's policy objectives to set up a system of world class apprenticeships in the most effective way within a reasonable time frame?**

- 1.1. No. The Bill does not adequately address the main constraints on provision of apprenticeship places by employers, which are well illustrated in the recent Apprenticeship Survey carried out by the Federation of Small Businesses and which are likely to be even more significant in the current climate of economic uncertainty. Key findings are reproduced in section 1.2.
- 1.2. Out of 1200 employers surveyed, only 26% currently employ apprentices on a recognised programme. Of those which do not,
- 28% cite cost,
  - 28% too many demands on time,
  - 27% too much bureaucracy,

- 22% use their own training schemes
- 21% have concerns about the quality of trainees,
- 22% cite other reasons
- only 6% see apprenticeships as irrelevant to their business.

1.3. Indeed the ratio of applicants to places based on LSC findings from 2005 would appear to be 7:1. This would suggest that the current system for providing apprenticeship places is not functioning effectively. In order for this Bill to address that shortfall, policy attention should address the reasons why employers are choosing not to provide places. Account also needs to be taken of those particular sectors, such as construction and engineering, in which the anticipated net benefits to the employer of training an apprentice may often be negative. Suggestions for ways in which the Bill might meet the Government's policy objectives are offered in response to question 6.

## **2. Is the bill workable?**

2.1 . The bill is workable insofar as its measures lie under public control. The essential ingredient however, ie the willingness of employers to provide places, does not lie under public control and the Bill contains little incentive for employers to increase these.

## **3. Will the bill lead to a renaissance in apprenticeships?**

3.1. No. The critical factor limiting such a 'renaissance' will be hard-nosed commercial cost/benefit decisions taken by employers about the expected benefits to their business of training apprentices compared to costs in terms of time and effort. The projected benefits to society may be high but the net benefits to employers will be decided on a private and case-by-case basis. Assertions of social benefit will not engage private employers.

## **4. What is the cost?**

4.1. We are not able to comment on this point.

## **5. What impact will the bill have on current institutional structures?**

5.1. The Bill will have some impact on current institutional structures as the National Apprenticeship Service will have to carve out a new presence for itself in the labour market between employers on the one hand, and providers of education and training on the other. This process will take time and skilful liaison, at the same time as the LSC is wound up, while other replacement agencies, such as the Skills Funding Agency and Young People's Learning Agency are developed. Meanwhile, Sector Skills Councils are continuing to refine sector qualification strategies and in some cases are struggling to

secure buy-in from their sector and sub-sector employers. There will therefore be some institutional adaptation over the next three years as staff, expertise and business links move between agencies and bed down before beginning to contribute to policy implementation. Such 'institutional churn' may prove to be lengthy and expensive, without necessarily making significant progress.

## **6. Is there anything missing from the draft bill?**

- 6.1 Yes. The Bill needs to address the main drivers which will encourage proportionate participation by both employers and potential apprentices, given the 7:1 imbalance between the two recorded by the LSC in 2005.
- 6.2. As far as **employers** are concerned, the national 'blueprint' and the development of apprenticeship frameworks and standards needs to reflect more clearly the interests and contribution of micro, small and medium sized enterprises, in their own right. Many SMEs appear to believe that their concerns and priorities are not fully understood or communicated by Sector Skills Councils. The blueprint and frameworks therefore need to be developed with the direct input of SMEs, eg through more representative intermediaries such as Federation of Small Businesses, in order to meet the needs of the majority of employers. They will also need to be sufficiently flexible to accommodate successful in-house training programmes of large employers whose structures may differ radically from the current Apprenticeship model. Public sector employers are particularly under-represented in providing placements, hence their concerns need to be researched, understood and addressed more effectively.
- 6.3. The apprenticeship 'blueprint' and frameworks should further be designed to offer employers significant scope to accredit practical skills developed through the employer's day to day core business activities, rather than conforming to national qualifications which may allow little connection with workplace priorities. Currently a proportion of employers find that some of the central features of the apprenticeship framework do not meet their needs. For example, National Vocational Qualifications are found to be overly rigid and bureaucratic, lacking consistency in assuring occupational competence, and focusing on assessment rather than supporting learning and skill acquisition for the kinds of learner attracted. The assessment facility preferred by employers is increasingly on-demand and onscreen, offering greater flexibility and presenting fewer obstacles than traditional portfolio compilation. Technical Certificates would appear to be more widely appreciated and the BTEC suite of short courses makes a valuable contribution to this provision, drawing on Edexcel's many years of experience in supporting vocational skill development.
- 6.4. Arrangements for compensating employers need to be more direct and prompt, so that the cash flow vulnerabilities experienced by many small firms,

especially those in the supply chain of large firms which often pay their small suppliers inordinately late, are not exacerbated by taking on an apprentice. Moreover 78% of respondents to the FSB survey said they would employ an apprentice if financial support was available from the Government, presumably at a commercially attractive rate or possibly through tax credits. This would appear to be a direct and effective policy instrument.

- 6.5. The obstacles of apprenticeship administration and management may be significantly reduced by 'Group Training Associations' taking on the role of employer, providing a single point of accountability where an apprentice divides their time between a number of organisations, as with recruitment agencies. This would confirm clearly who 'owns' and takes responsibility for the apprentice and facilitates management, administration and communication, removing a key obstacle to employer engagement.
- 6.6 There are markedly fewer placements provided by central Government departments or local authorities compared to private and voluntary- sector employers; this gap is also amenable to policy intervention and offers the opportunity for public sector leadership.
- 6.7 As far as **potential apprentices** are concerned, a key barrier is seen as the required level of prior NVQ or Technical Certificate certification, ie a Level 2 Apprentice must have a Level 1 achievement recognised by qualifications. This may not allow adequate scope for adult workers to gain credit for competences they may have demonstrated in the workplace for many years, and which could indeed be passed on to younger learners. There is a case therefore for introducing more flexible and responsive ways of accrediting prior achievement and capability.
- 6.8. If the reputation of apprenticeships is to be enhanced, apprenticeship agreements as a contract of service should include reference to the legally entitled minimum apprentice wage, along with arrangements under which wage rates will be monitored. (Indeed 82% of the 1200 firms responding to The Federation of Small Businesses Apprenticeships Survey 2008 support an increase in the minimum apprentice wage to £110 per week). Moreover the apprentice should have information and access to redress where employers fail to pay the minimum wage if core learning about 'employers' responsibilities' is to be meaningful. Furthermore, communications to employers about the relative attractiveness of 'low wage' apprentice labour should be reconsidered in order to raise the public esteem in which apprenticeships are held.
- 6.9 There is a key problem of access to placements by apprentices, especially in the economic downturn and in certain sub-regions and sub-sectors of geographic disadvantage, where choice of sector is limited. There may also be problems of access to public transport on grounds of cost and provision, if

what is thought to be a 'reasonable' travel area proves unattractive to potential apprentices. Travel concessions for apprentices would be useful here.

- 6.10 The are significant 'integration challenges' presented to young women, ethnic minority and disabled apprentices, working in industries dominated by an 'unrepresentative demographic'. The support of the TUC in helping diversify the apprentice workforce is to be welcomed and such measures will undoubtedly build the reputation of apprenticeships.
- 6.11 It is crucial that the provision of apprenticeship places does not focus disproportionately on the needs of the 16-19 age group which will shrink in size between now and 2020. SEMTA report, for example, that the skill set of workers employed in engineering-related trades aged 50+, who are likely to retire over the next 10 years, is significantly missing from those aged 40+, with an urgent need for investment in training and mentoring before those valuable skills are lost. The boundaries of this bill therefore need to be widened to take account of the contribution of apprenticeships across the full span of people's working lives and should avoid a disproportionate focus on the 16-19 age group
- 6.12. Collaboration between schools, colleges (both Sixth Form and GFE) and Work-Based Learning providers, as a feature of local partnership working, would provide an effective means of ensuring that effective information, advice and guidance is provided in this respect. The involvement of employers in providing information on apprenticeships, possibly in collaboration with Business Link and as co-ordinated sub-regionally by skills partnerships, would also ensure an appropriate perspective.