

“Apprenticeships are deservedly popular with politicians and the public, but they have considerable unrealised potential...”

---

## UP TO THE JOB

Jonathan Todd



Demos is Britain's leading cross-party think tank. We produce original research, publish innovative thinkers and host thought-provoking events. We have spent 20 years at the centre of the policy debate, with an overarching mission to bring politics closer to people.

Demos is now exploring some of the most persistent frictions within modern politics, especially in those areas where there is a significant gap between the intuitions of the ordinary voter and political leaders. Can a liberal politics also be a popular politics? How can policy address widespread anxieties over social issues such as welfare, diversity and family life? How can a dynamic and open economy also produce good jobs, empower consumers and connect companies to the communities in which they operate?

Our worldview is reflected in the methods we employ: we recognise that the public often have insights that the experts do not. We pride ourselves in working together with the people who are the focus of our research. Alongside quantitative research, Demos pioneers new forms of deliberative work, from citizens' juries and ethnography to social media analysis.

Demos is an independent, educational charity. In keeping with our mission, all our work is available to download for free under an open access licence and all our funders are listed in our yearly accounts. Find out more at [www.demos.co.uk](http://www.demos.co.uk)

First published in 2014  
© Demos. Some rights reserved  
*Magdalen House, 136 Tooley Street,  
London, SE1 2TU, UK*

ISBN 978 1 909037 55 7  
Series design by modernactivity  
Typeset by Chat Noir Design, Charente  
Printed by Lecturis, Eindhoven

Set in Gotham Rounded  
and Baskerville 10  
Cover paper: Flora Gardenia  
Text paper: Munken Premium White



# UP TO THE JOB

Jonathan Todd

## Open access. Some rights reserved.

As the publisher of this work, Demos wants to encourage the circulation of our work as widely as possible while retaining the copyright. We therefore have an open access policy which enables anyone to access our content online without charge.

Anyone can download, save, perform or distribute this work in any format, including translation, without written permission. This is subject to the terms of the Demos licence found at the back of this publication. Its main conditions are:

- Demos and the author(s) are credited
- This summary and the address *www.demos.co.uk* are displayed
- The text is not altered and is used in full
- The work is not resold
- A copy of the work or link to its use online is sent to Demos

You are welcome to ask for permission to use this work for purposes other than those covered by the licence. Demos gratefully acknowledges the work of Creative Commons in inspiring our approach to copyright. To find out more go to *www.creativecommons.org*



## Contents

Acknowledgements	7
Executive summary	9
1 Introduction	17
2 The UK's emerging growth model	21
3 Analysis of apprenticeship performance by English regions and economic sectors	43
4 The future of apprenticeships	69
5 Conclusion	85
Appendix	91
Notes	93
References	103



## Acknowledgements

Thank you to staff at British Gas for making this work possible by sponsoring it and for making their expertise on apprenticeships available to Demos. Thank you also to those at Blue Rubicon for their assistance in enabling this report to be written and the insight they have provided.

I am grateful to a number of senior business people for sharing their knowledge on apprenticeships: Richard Hamer (Education Director and Head of Early Career Programmes, BAE Systems), Alison Heron (Head of Student Recruitment, KPMG), Paul Latham (President UK, Live Nation) and Chris Jackson (Head of Emerging Talent, Lloyds Banking Group).

The number of people who came forward during this project to share their ideas and experiences on apprenticeships was helpful and encouraging. In particular, I am grateful to William Bain MP, Jesper Bengtsson (Arbetarrörelsens Tankesmedja), Martin Bright (the Creative Society), Lottie Dexter (Million Jobs Campaign), James Epps (the Gatsby Foundation), Lorna Finlayson (UK Music), Fred Grindrod (TUC), Sara Higham (Federation of Small Businesses), Marcus Mason (the Creative Society), Alastair Reed (Adonis Growth Review), Stewart Segal (Association of Employment and Learning Providers), Mark Smith (Code College), Andy Tomlinson (UKIE), Fiona Twycross AM and John Wastnage (British Chamber of Commerce).

I have been assisted by the writing of Professor Christian Dustmann (University College London), Professor Ewart Keep (SKOPE), Professor Alison Fuller (Institute of Education, University of London), Dr Paul Lewis (King's College London) and Professor Lorna Unwin (Institute of Education, University of London).

This report builds on previous Demos work on apprentices in the London Borough of Waltham Forest. I am grateful to Cllr Mark Rusling, Portfolio Lead Member, Economic Development and Corporate Resources, for commissioning this work on Waltham Forest and continuing to support the work of Demos on apprenticeships.

Colleagues at Demos – David Goodhart, Duncan O’Leary, Ralph Scott, Rob Macpherson, Sophie Duder, Alice Meaning,

## Acknowledgements

Ayman Khokhar – have greatly assisted and shared their ideas. All errors and omissions that remain are, of course, my responsibility.

Jonathan Todd  
February 2014

# Executive summary

National Apprenticeship Week 2014, which in England runs from 3 to 7 March, will justifiably celebrate what apprenticeships have achieved in the past year and highlight the opportunities that they can open up over the next. There is, though, so much more that apprenticeships might achieve. This research explores this by addressing three questions:

- What is the role of apprenticeships in generating economic growth?
- Is the UK presently making the most of this role?
- How can available resources best be deployed to improve the UK's performance?

In researching these questions, the popularity of apprenticeships has been striking. Almost all of the 130 apprentices surveyed by Demos confirmed that they see their apprenticeship as setting them up for a successful career. Leading companies have also confirmed to us that their apprenticeship programmes are heavily oversubscribed. BAE Systems has around 20 applications for every apprenticeship, British Gas around 50, KPMG has around 12, Lloyds Bank has around 60 and Live Nation has over 80.

In the autumn statement, as testament to the popularity that apprenticeships also enjoy among politicians, George Osborne trumpeted the doubling of apprenticeships that has occurred while he has been in office. Even President Obama praised apprenticeships in his latest state of the union address.<sup>1</sup> The economic prowess of Germany has been much commented on in recent years and the international focus now increasingly falls on the role that their apprenticeship system has played in enabling this.

Osborne presides over a recovering economy. However, the chairman of the Office for Budget Responsibility (OBR), Robert Chote, has bemoaned the ‘almost complete absence’ of the private investment anticipated by the OBR from June 2010.<sup>2</sup> This absence made the economy weaker than the OBR had expected and needs to be corrected if the recovery is to strengthen.

Now that the economy is recovering, it is time to ask: what is this recovery for?

Increased consumer spending has largely generated the recovery to date, but high household debt and significant, unspent business reserves<sup>3</sup> mean that business investment, rather than consumer spending, will need and is able to play a greater role in sustaining it.

Apprenticeships are a particular kind of investment in the human capital of businesses, which businesses will increasingly need to make to close the gap that the UK suffers relative to other countries in apprenticeship numbers and worker productivity. The long-run competitiveness of economies is closely tied to its productivity, while the scope for a significant expansion in university graduates is limited.

We have to look instead to increase the number of apprentices. We also have to look to business to play a greater role in delivering this increase, as the Heseltine report notes that public spending on skills will fall by 25 per cent over the current spending review period, as a result of the government’s fiscal consolidation programme.<sup>4</sup>

Apprenticeships are deservedly popular with politicians and the public but they have considerable unrealised potential. It is important to the UK’s growth prospects that this potential is realised because apprenticeships help people into work and raise the productivity of workers. Given that gross domestic product (GDP) is equal to the number of people in work multiplied by the output of each worker, apprenticeships increase GDP in two ways: by increasing the number of people in work and their output per hour (productivity).

This report begins by looking at the place of apprenticeships within the British economy. The further we move from London the more apprenticeship frameworks were completed

per capita between August 2012 and April 2013. The tradition of apprenticeships is stronger in the manufacturing sector than the service sector. There are also various sectors – eg hairdressing, childcare – in which females are disproportionately represented as apprentices, reflecting traditional perceptions of male and female work roles.

It may be that some potential apprentices are held back by persistent perceptions of gender roles, as well as views on the utility of apprenticeships in certain regions and sectors. For example, London is thought to have 30,000 fewer apprentices than it would have if its apprenticeship numbers were keeping pace with the rest of the country.<sup>5</sup> Moreover, if England as a whole caught up with the number of apprentices there are in comparable economies, we calculate that this would add almost £4 billion annually to UK GDP.

Chapter 3, ‘Analysis of apprenticeship performance by English regions and economic sectors’, identifies a number of ways in which the UK is failing to make the most of the potential contribution to GDP that apprenticeships can make. This draws on an original survey of apprentices undertaken for this project, interviews with leading employers of apprentices and new analysis of the Labour Force Survey (LFS).

These are the key findings of this research:

- The UK has a productivity problem. UK output per hour worked in 2012 was slightly below that of Canada and Italy, 24 percentage points below Germany and France and 29 percentage points below that of the US.<sup>6</sup>
- Apprenticeships improve productivity. Across all sectors of the economy, it has been calculated that, on average, an apprenticeship raises the productivity of a worker by typically by £214 per week.<sup>7</sup>
- There are fewer apprentices in this country than in other comparable countries. There are just 11 apprentices for every 1,000 employees in England, compared with 39 in Australia, 40 in Germany and 43 in Switzerland.<sup>8</sup>
- It is thought that England would need an extra 150,000–300,000 high quality apprenticeships to match the best performing

countries on apprenticeships.<sup>9</sup> Given the productivity gain associated with apprenticeships, we calculate that fully matching the performance of these best performing countries would generate an additional £4 billion for UK GDP.

- An increase in apprenticeships on this scale is unlikely to be wholly publicly funded. Public spending on skills is reducing by a quarter during the current spending review period. Business, however, has large cash reserves – for example, the cash holdings of non-financial corporations on the S&P Global 1200 index are \$2.8 trillion.<sup>10</sup>
- Unlocking these reserves to invest in apprenticeships would bring the demand expressed by young people for apprenticeships closer to the supply of apprenticeship places offered by employers. Over half of young people would like to take an apprenticeship,<sup>11</sup> while less than 10 per cent of them actually do so.
- Raising the supply of apprenticeships closer to the level of demand that British people suggest is required and that achieved in the best performing comparable economies would increase the UK's productivity, addressing key weaknesses in the British economy, and is an investment in the UK's future that businesses should be further encouraged and incentivised to make, as the economy recovers but public finances remain highly constrained.

Chapter 4, 'The future of apprenticeships', looks at the leadership required for our apprenticeship system to realise its potential, including the roles of a series of key stakeholders.

We make the following recommendations for improving on this performance.

The government should:

- consider rerouting funding presently allocated to the Youth Contract to schemes characterised by communities of trust, such as the Creative Employment Programme
- reform the Ofsted assessment system for schools to give some weight to the number and quality of apprenticeship places secured by schools for their pupils – creating 'skin in the game' for schools in the careers of their pupils; this report presents

strong evidence that schools fail to give adequate advice about apprenticeships and such ‘skin in the game’ would incentivise schools to improve this

- amend funding allocations provided to further education (FE) colleges to place them on a three-year cycle, rather than the current annual cycle
- ensure that Trailblazer schemes deliver on their mission to establish occupational standards for apprenticeships, rather than having multiple, crossing-cutting standards for occupations that have some presence in a number of sectors
- encourage leading centres to develop their apprenticeship training excellence in each of the occupational standards developed by Trailblazers, whether through existing FE colleges or new training institutions
- review what incentives can be put in place to extend ‘over-training’ models
- tighten the statutory definition of what an apprenticeship is and what responsibilities employment of an apprentice confers on employers, including their pay
- support an apprenticeship framework for young people to be accredited for starting their own (social) ventures

Local authorities should:

- adopt planning and procurement policies that take account of local economic conditions and the role that these levers can play in increasing local apprenticeship numbers
- develop structures – probably through the local economic partnership (LEP) – within which FE colleges and other training providers can plan ahead to meet the emerging skill requirements implied by the planning and procurement plans of these local authorities and local businesses; three-year funding cycles should make FE colleges better able to plan ahead and respond to emerging skill requirements, while LEP structures should make FE colleges accountable to local businesses for the skills they deliver and thus create ‘skin in the game’ for these colleges in the economic development of their localities

- support local schools in deepening relations with local businesses to provide improved careers advice and work experience opportunities

Businesses should:

- review their provision of apprenticeships, having regard to taking advantage of the economic recovery to invest in an increased number of apprenticeships and engage with their apprentices to ensure that their apprenticeship properly prepares them for their career
- pay apprentices properly – the number of apprentices paid below the correct minimum wage rate increased by 45 per cent in 2012 – and avoid using apprenticeships as a cheap substitute for full-time staff
- participate in Trailblazer schemes to develop robust occupational standards for apprenticeships; this participation should extend to encouraging the alignment of these occupational standards with those that have already been developed by relevant professional bodies and subsidising over five years membership of these bodies for their employees who graduate from apprenticeship schemes aligned to these occupational standards; this would strengthen the voice of technicians within professional bodies and give employees a means of career development beyond completion of their apprenticeship
- support their trade bodies in putting in place schemes to reduce the bureaucracy generated by apprenticeships, so making it easier for member businesses to increase their number of apprentices they hire; they should also encourage trade bodies to develop ‘over-training’ models, as these have the potential to improve training across sectors and not just within particular companies
- engage with LEPs, local authorities and FE colleges to ensure that the voice of business is heard in the future planning of local training providers
- provide work experience opportunities, particularly to women in sectors where there has been a historic underrepresentation of women, such as engineering

None of these recommendations constitutes wholesale revision of the apprenticeships system; while they have the potential to improve this system, they could all be added to the existing system. In contrast to the German apprenticeship system, which is long established and rarely subject to significant revision, policies on skills and apprenticeships in the UK have tended to be subject to dramatic change every half decade or so. As vital as it is that a step change is made in the number and quality of apprenticeships in this country, it would be preferable for this change to be secured while avoiding another costly and distracting round of wholesale institutional change, which would be achievable through pursuit of our recommendations.



# 1 Introduction

During the third quarter of 2013, the UK was the fastest growing economy among the 34 developed world countries that make up the OECD. This is a remarkable turnaround, given that there had been speculation about the UK suffering a double-dip or even triple-dip recession earlier in the year. While this improved growth performance is encouraging, the UK has no room for complacency, as sustained economic growth remains vital for a number of reasons:

First, it is only through economic growth that the quality of life that the UK aspires to will be achievable – measured in expanding businesses, rising wages and affordable public services.

Second, while UK growth is strong compared with the rest of the developed world, the growth rates of the rapidly emerging world (eg China, India) are much stronger. Economic competition among countries has been characterised by the prime minister as ‘a global race’ and there is certainly a pressing need for the UK to be as competitive as possible to seize the economic opportunities of our global economy. And competitiveness depends greatly on the productivity of workers.

Third, different explanations for the economic turbulence of the past half decade or so continue to abound, but whatever explanation and prescription for recovery is preferred, there is consensus around the need for the UK to up-skill. What skills are most valuable and how they are best imparted remain issues of contention, but the importance of improved skills to improved economic growth is not doubted.

Apprenticeships are increasingly central to the skills debate. For example, Lord Adonis called for a doubling or trebling of youth apprenticeships at the launch of his growth review.<sup>12</sup> This suggests that we are falling short in the quantity of apprentices in the UK, especially among younger people, yet the

quality of apprenticeships also persists as an issue. Many elements of what is called an apprenticeship in the UK would not be recognised as such in other northern European economies. And the benefits that apprenticeships can provide to those over 25 should not be discounted in a rush to boost apprenticeship numbers among those younger.

As growth returns to the economy but the need for sustained growth persists, as apprenticeships are lauded by both politicians and public, but the precise role of apprenticeships in securing this sustained growth remains contested, this report answers a series of highly topical and urgent questions:

- What is the role of apprenticeships in generating economic growth?
- Is the UK presently making the most of this role?
- How can available resources best be deployed to improve the UK's performance?

The answers this report provides to these questions are relevant to an increasingly contentious policy area. 'It is One Nation Labour's duty', Adonis has written, 'to act on apprenticeships with the boldness and passion we demonstrated in the creation of academies to replace failing comprehensives.' He evidently sees apprenticeships as a policy area on which the government is vulnerable. Perhaps he also sees this as something to give real substance to the long articulated desire of Ed Miliband, leader of the Labour party, to do more for the 50 per cent of young people not destined for university.

These young people are also integral to the blue collar conservatism that MPs like Robert Halfon eagerly advance. George Osborne thinks apprenticeships important enough to dispatch one of his most trusted lieutenants, Matthew Hancock, to the post of skills and enterprise minister, but Halfon has devoted a whole Conservative Home piece to the extra efforts that his party should be making on apprenticeships – evidently he would like the Conservative-led government to go further than Hancock has yet done.<sup>13</sup>

Halfon contends that ‘one of the best ways to improve the cost of living is by improving skills’ and consequently sees apprenticeships as part of his party’s response to the rich political seam that Miliband is mining on the cost of living. Taking up the theme of hardworking people that was prevalent at the 2013 Conservative party conference, Halfon advocates various reforms to apprenticeships that are ‘ways in which the Conservatives can show that they are on the side of hardworking people’.

If Labour sees apprenticeships as a potential weapon of attack on the Conservatives, while the Conservatives also see them as a bridge to a majority in 2015, the political debate over them will intensify. Which makes this report a particularly timely contribution to the debate.

It contains the following chapters:

- Chapter 2, ‘The UK’s emerging growth model’, describes the relationship between apprenticeships and economic growth, as well as the place of apprenticeships in the British economy.
- Chapter 3, ‘Analysis of apprenticeship performance by English regions and economic sectors’, benchmarks performance on apprenticeships by geographic regions and economic sectors.
- Chapter 4, ‘The future of apprenticeships’, looks at how apprenticeships might be further developed to better fulfil their contribution to economic growth.
- Chapter 5, ‘Conclusion’, summarises the answers which it provides to the three research questions that it addresses.



## 2 The UK's emerging growth model

The relationship between a nation's skills and its growth is complex. Growth depends not only on skills, but on the right skills, dispersed efficiently across the economy and used in tandem with the other factors of production – capital, resources – to give maximum impact. Therefore getting the skills mix in the UK right is crucial to our future growth prospects, but this is a more subtle challenge than just pouring more skills into the economy in whatever disciplines happen to prick our curiosity. If my interest in Greek philosophy led to formal study of the subject, it might make me a more rounded person, but I would be surprised if my productivity changed.

Apprenticeships are capable of doing more than Greek philosophy to raise productivity, but the economic return to apprenticeships varies by qualification level and the subject in which they are taken. In all cases, however, positive experiences require an employer committed to the apprentice, an apprentice committed to their work and training, and training that gives the apprentice the skills relevant to a particular occupation, which is invariably a broader set of skills than that needed in the particular job that they have at the time of the apprenticeship.

While this balance of interests is always a delicate one to be struck in the context of each apprenticeship, there is reason to believe that the contribution to economic growth made by apprentices has far from realised its maximum potential. This is because apprenticeships contribute chiefly by raising the productivity of workers, and this effect could be strengthened in the UK. Certain economic sectors and geographic regions have fewer apprenticeships than others, and many apprenticeships are now at the relatively low level 2, rather than the level of the more productive higher apprenticeships.

This chapter:

- considers this unrealised potential by drawing out some comparisons between today's recovery from recession and that in the 1990s
- describes the nature of the economic recovery under way in the UK
- identifies the potential role of apprenticeships in correcting the weaknesses that remain in the British economy
- discusses how comparable economies to the UK have succeeded in having apprenticeships fill this role
- concludes by discussing the broad approaches that might be adopted to growing the contribution to economic growth and recovery made by apprenticeships.

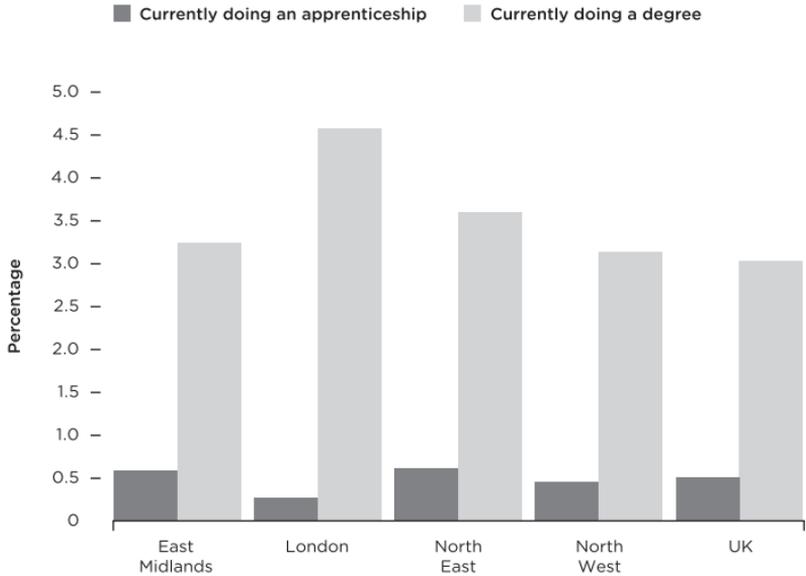
### Today's recovery versus that of the 1990s

The performance of the UK economy improved over 2013, so much so that OECD figures reveal the UK to have been the fastest growing economy in the developed world in the third quarter of the year. There remains a sense of uncertainty about the UK's economic future, however. Household concerns about the cost of living are matched by a seeming reluctance by business to invest. The BBC reports that UK business investment fell 25 per cent during the recession and has lagged significantly in the recovery.<sup>14</sup>

If businesses were more confident in the future, they would be more willing to invest. If households also shared this confidence, they would be less anxious about the costs confronting them. The fact that the OECD reports a stronger growth performance in the UK than in the rest of the developed world should give businesses and households renewed confidence, but although the longer growth persists the more likely this is to change, confidence still seems a scarce commodity.

Neither at an elite nor a popular level has consensus or narrative emerged about the UK's economic future. In other words, we lack a story, which we can tell ourselves to build confidence about where the British economy is

Figure 1 **The proportion of people studying for apprenticeships and for degrees across the UK and in various UK regions, all ages, April-June 2013**



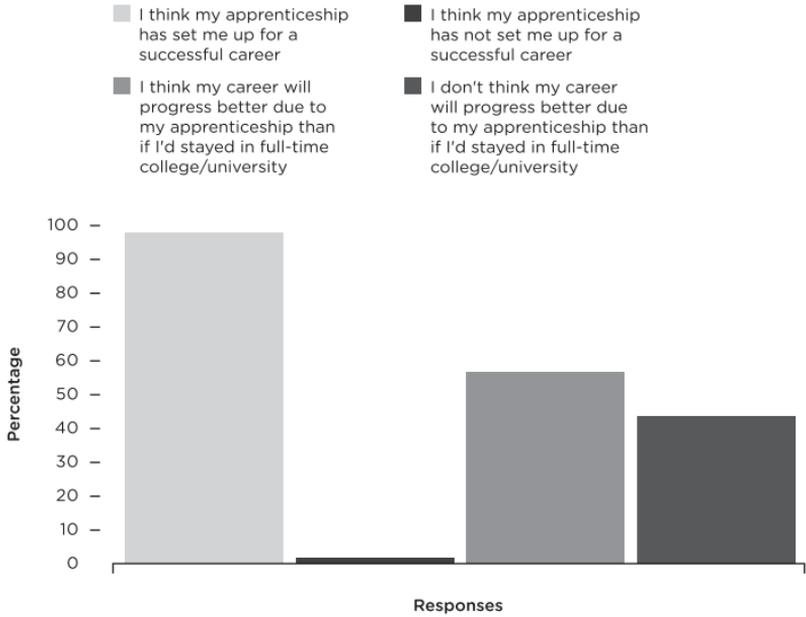
Source: Labour Force Survey, April-June 2013

going. This contrasts with the recovery that followed the 1990s recession.

At this time, Labour's Gordon Brown was proclaiming neo-endogenous growth theory, which stresses high skills and productivity, and the Conservative government was massively expanding what remained a pre-tuition-fees university sector. Both parties therefore emphasised up-skilling and universities were the key engine towards this.

Tristram Hunt, the shadow secretary of state for education, has recently noted, 'In 1997 the focus was on standards and expansion of the higher education sector. We all thought the knowledge economy was the answer and that financial services would keep going forever.'<sup>15</sup> This expansion has resulted in a situation where university study is much more commonplace

Figure 2 **The proportion of UK apprentices agreeing with statements about the impact of an apprenticeship on their career, December 2013**

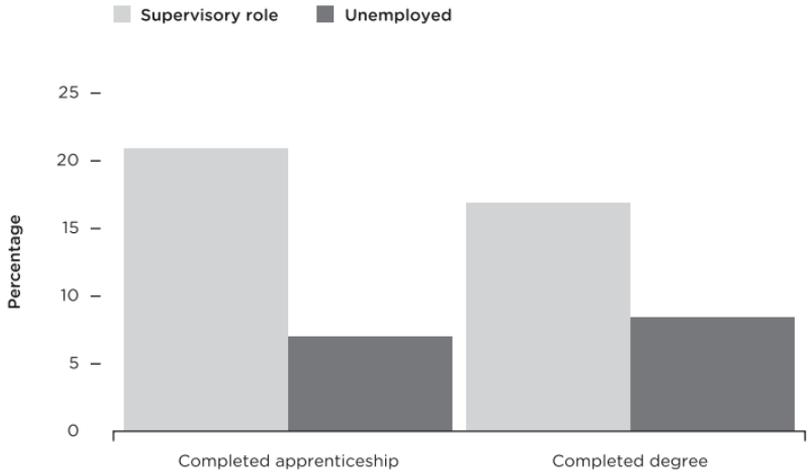


Source: Demos survey

than apprenticeships among young people (figure 1). Despite the doubling in numbers of apprenticeships since May 2010 championed by the chancellor in the autumn statement in 2013, there is a long way to go before young people choose apprenticeships in the same numbers as they choose a university education.

The economic bargain of the Britpop years was that university access was being broadened and that if people took up opportunities to study at university they would be rewarded with a growing slice of the expanding pie that was the British economy. As much as this bargain worked out for many, it is not as compelling as it once was. Almost half of recent graduates now work in non-graduate jobs.<sup>16</sup> With a strengthening economic recovery, it is likely that this performance will improve. Yet, if the

Figure 3 **Employment outcomes from apprenticeship and degree graduates aged under 30 in England, April-June 2013**



Source: Labour Force Survey, April-June 2013

UK is falling behind in the global race, it stretches credulity to suggest this is caused by a lack of graduates.

We surveyed 130 apprentices using an online survey device and found them confident that their chosen course of study would reward them better than if they studied at university or at another FE institution full time (figure 2).

Figure 2 shows that 98 per cent of apprentices believe that their apprenticeship has set them up for a successful career. Obviously, they are hardly impartial but there is empirical evidence to support their view. Indeed, as figure 3 shows, those who have completed an apprenticeship and are under the age of 30 are less likely to be unemployed and more likely to be in a supervisory work position than those of the same age who have completed degrees.

Frank Field MP recently revealed new research showing that tens of thousands of university graduates are earning less than school leavers taking apprenticeships, despite accumulating far higher debts. His analysis of Office for National Statistics

(ONS) figures showed more than a quarter of graduates were paid less than the £11.10 average for those on work-based training schemes last year.<sup>17</sup> Separate research has also found that qualified apprentices scored 4 per cent higher than university graduates on an 'employability' scale, and 15 per cent higher than the average of all other types of qualification.<sup>18</sup>

## Apprenticeships and 'the global race'

The importance of the global race was emphasised by the prime minister by his leadership of a British trade delegation to China in advance of the autumn statement 2013. He went to China able to boast of universities to rival any in the world. Oxbridge graduates have long been winning their global races. It is in intermediate and vocational skills that the UK has been falling behind.

The UK's comparative deficiencies in intermediate and vocational skills have been recognised by politicians for some time. For example, Lord Leitch wrote in the foreword of his 2006 report to government on skills: 'Our intermediate and technical skills lag countries such as Germany and France. We have neither the quantity nor the quality of necessary vocational skills.'<sup>19</sup>

This report demonstrated that a range of subsidies to employers and learners to undertake skills training was justified. It set ambitious goals for 2020, as well as nearer-term targets, including on apprenticeships. It was claimed that if the UK met the 2020 goals, the UK would become a world leader in skills. While the UK is closer now to achieving these 2020 goals than it was in 2006, the productivity gap between the UK and comparable economies has widened.<sup>20</sup> Either skills are not the only factor that influences productivity or the skills that have been acquired since 2006 have not been those needed to close the UK's productivity gap with other leading economies.

We might wonder whether the qualifications have been gained in the economic sectors and geographic regions where they could make most difference to economic performance. For example, while the rapid rise in apprenticeship numbers over the past decade seems to tell a positive story, it is noticeable that it

has occurred alongside persistent concerns about a lack of skills in science, technology, engineering and mathematics (STEM) in the British economy. Whatever the growth in apprenticeships has achieved, it has not removed these concerns.

However, the growth in apprenticeships has helped to bring about a situation where 54 per cent of young people in England would choose to do an apprenticeship ‘if one were available’.<sup>21</sup> Given that a much smaller proportion of young people actually do an apprenticeship, the unmet demand for apprenticeships is considerable and seems likely to be greater than that for university degrees. It will only be met if employers are willing to employ apprentices. As the chairman of the OBR, Robert Chote, bemoans the ‘almost complete absence’ of the private investment anticipated by the OBR from June 2010,<sup>22</sup> which will be necessary to regain to put economic recovery on a sustainable footing, we must also look to employers to invest in their future workforces and the nascent talents of these workforces by taking on more apprentices.

Suren Thiru, UK economic adviser at the British Chambers of Commerce, reacted to Chote’s comments by saying: ‘While consumer led growth is better than no growth, which is what you are seeing at the moment, what we need over the long term is the rebalancing of the economy, so investment and trade plays a greater role.’ Apprenticeships are a particular kind of investment by businesses in their human capital stock, which should help Britain make grounds on our competitors with superior vocational and intermediate skills.

This suggests an alternative growth narrative to the 1990s. Then university expansion was seen as pivotal to creating a better tomorrow both for individuals and the country. As important as universities remain, they are perhaps closer than the apprenticeship system to fully realising the contribution that they can make to growth.

Which is why the promise of the economic growth that is emerging should not be a 1990s-style university expansion but an expansion in apprenticeships, facilitated by businesses confident in their own futures and those of the people they are investing in as apprentices. Such businesses can be repositories of a renewed

hope in a better tomorrow in the same way that universities were in the 1990s.

### The nature of the economic recovery in the UK

The financial crisis precipitated a GDP contraction of 7.2 per cent over six consecutive quarters of 2008 and 2009. Recovery over 2010 and 2011 was curtailed – with opinion divided over the extent to which the contraction that had developed by late 2011 was attributable to fiscal retrenchment by the government or the Euro crisis. Growth of only 0.2 per cent was achieved in 2012. In contrast, by autumn 2013, the economy was growing at an annualised rate of 3 per cent. The bank Citigroup expects this to be sustained into 2014 with growth of up to 3 per cent this year.

This growth recovery is matched by an employment recovery – unemployment fell by 167,000 in the three months to November 2013, reducing unemployment sharply from 7.4 per cent to 7.1 per cent. Throughout the past half decade, the labour market has performed more robustly than in the 1980s recession. There would have been something like 4 million unemployed if the growth contraction of 2008/09 had a proportionate impact on unemployment as the growth contraction of the early 1980s. Policy reforms since the 1980s, including introducing more flexibility into the labour market, are partly responsible for such a horrific unemployment outcome being avoided.

Nonetheless, two particular problems persist in the labour market:

- It seems to take on an increasingly hourglass form. There are a lot of low pay, low status jobs at the bottom of the labour market, as well as a cluster of better paid jobs at the top. The middle and transmission routes from the bottom to the top seem to be hollowing out.
- Britain's productivity performance is poor relative to comparable economies. Many of us may be working but we need to work longer to produce the same amount of output as comparable workers in comparable economies. This productivity

performance is bad for Britain's competitiveness and also makes it harder for these workers to claim higher wages.

These problems did not begin with this recession but the recession appears to be making them more entrenched.

Real households' disposable income (RHDI) has been broadly flat since the third quarter of 2009, despite cumulative real GDP growth of 4.2 per cent over this period.<sup>23</sup> This compounds a long-term trend towards falling returns to labour. The Trades Union Congress (TUC) reports that the share of the economy going to wages fell by more than five percentage points between 1980 and 2011 – equivalent to £85 billion in today's money.<sup>24</sup> In addition, we now have a record number of underemployed workers – one in ten of those in work.<sup>25</sup>

UK output per hour worked in 2012 was slightly below that of Canada and Italy, 24 percentage points below Germany and France and 29 percentage points below that of the US. British companies tended to hold on to workers through the 2008/09 contraction and started to rehire during the tepid recovery of 2012. Therefore, hours worked have increased more quickly than output, reducing output per hour (productivity).

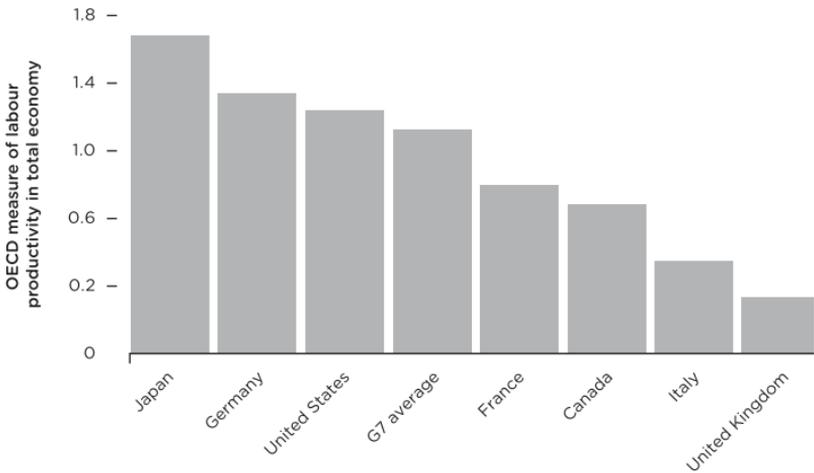
Figure 4 shows that between 2009 and 2012 the UK had the lowest rate of productivity in the G7.

While the growth in hours worked has sustained strong employment performance, particularly given the rate of GDP growth, young people have been disproportionately likely to be unemployed during recent years. In July to September 2013, 965,000 young people aged 16–24 were unemployed. This constitutes a fall of 9,000 on the previous quarter but remains a similar level to the same period in 2012 and an unemployment rate among young people of 21 per cent – much higher than the unemployment rate for all ages.

## Apprenticeships and overcoming weaknesses in the British Economy

The gap in output per hour worked in the UK and the G7 average is now at its widest since 1994. This gap in productivity

Figure 4 **Real GDP per hour worked, annual compounded growth rate, G7 countries, 2009–2012**



Source: OECD<sup>26</sup>

between the UK and other developed world economies was closed from 1994 onwards in part by a rising stock of university graduates in the labour force. The potential for a significant increase in graduates is now less than then. Yet the UK's competitiveness depends on finding some way to close the productivity gap with competitors.

The UK still has a long way to go to match the number of apprentices and proportion of businesses with apprentices there are in other economies. There is no reason why the UK cannot improve this and in so doing contribute towards closing the productivity gap, as apprentices are more productive than workers who have not received apprenticeship training.

According to John Philpott of the consultancy Jobs Economist, 'The relative improvement in the UK's productivity performance from the mid-1990s to the late 2000s has clearly gone into reverse in an economy reliant on falling real wages, rather than increased output, as the main driver of employment growth.'<sup>27</sup> As inflation, at least to some extent, is highly likely,

perpetually falling wages implies ever more diminution in the standard of living for households.

As much as it is welcome that this recession did not result in the level of unemployment, in the region of 4 million, that should have been expected given the scale of the follow through from contracted growth to unemployment in the 1980s recession, the price of this robust employment performance appears to have been falling real wages for many workers.

The challenge now is to maintain the UK's strong employment performance, while reducing the seeming dependence for this performance on falling real wages. One way that this could be achieved would be for workers to boost their productivity, so justifying higher wages. Increasing the proportion of apprentices in the labour force would contribute towards this end.

The Centre for Economic and Business Research (CEBR) estimates that in 2012/13 apprentices raised productivity for a typical apprenticeship graduate each week by:

- £83 in the retail sector
- £114 in healthcare, public services and care sector
- £268 in the business, administration and legal sector
- £401 in the construction and planning sector
- £414 in the engineering and manufacturing sectors<sup>28</sup>

Across all sectors of the economy, CEBR calculates that, on average, an apprenticeship raised the productivity typically by £214 per week. These productivity gains in increased wages and profits are split between workers and employers.

In the 2010/11 academic year, 457,200 people started apprenticeships across the country, 177,510 more than in the 2009/10 academic year, a 63 per cent increase. Much of this growth in apprenticeships was for people over the age of 25, many of whom are already in work. Meanwhile, the number of school leavers going into an apprenticeship actually fell by 1.4 per cent over 2012.

Moreover, while growth in apprenticeships has been impressive in the past decade in England, over 60 per cent of the growth between 2002/03 and 2009/10 was at level 2, the lowest

level. The geographic spread of apprentices has also been uneven. Overall it has been calculated that London would have had 30,000 more apprenticeships – in addition to the 20,000 that the capital had at this time – in 2009/10 if the rate were equal to England as a whole.<sup>29</sup>

Apprenticeship growth has been rapid over the past decade and further growth has the potential to correct the weaknesses of low productivity and wages that exist in the economy. However, the growth in apprentices over the past decade has predominately been in low level apprenticeships, which make least contribution to growth and increased productivity.

The failure to grow apprentices among school leavers in 2012 also means that the apprenticeship system is not doing as much as it might to address another problem of the British economy: youth unemployment. The mixed performance on apprenticeship numbers between regions and sectors – for example, relatively low numbers in London – must be addressed if we want apprenticeships to do as much as they might to address this problem. Other countries have managed to achieve what has eluded the UK: high level apprenticeships as the norm across economic sectors and regions.

### Apprenticeships in international context

The German, Austrian, Swiss and Danish apprenticeship systems tend to enjoy wide respect and high regard. The OECD notes that each 'is deeply embedded in specific national and regional education, labour market, industrial relations and status systems, each with local variations, and cannot easily be transplanted into a different institutional context'.<sup>30</sup> These systems all stress the role of apprenticeships in preparing young people not just for work but for adulthood and responsibility. Links between apprenticeships and the socialisation of young people are usually absent in the UK. Furthermore, rates of youth unemployment are lower in Germany, Austria, Switzerland and Denmark than in the UK.

Participation of young people in apprenticeships is higher in these countries than in the UK, as is engagement by

employers. Where more businesses are actively engaging with apprenticeships – as is the norm in Germany, Austria, Switzerland and Denmark – it is more likely that apprenticeships will be associated with structured pathways leading to sustainable, high-skill employment. Apprentices and employers will have put more thought into not just the apprenticeship itself but also the career to which it leads.

Despite the growth in apprenticeship numbers in England in recent years, in international terms the number of apprentices in England is still relatively low. A report comparing England with eight other countries observed that there are just 11 apprentices for every 1,000 employees in England, compared with 39 in Australia, 40 in Germany and 43 in Switzerland. Fewer than one in ten employers in England offers apprenticeships, compared with at least a quarter of employers in the other eight countries. In Germany, almost all firms with over 500 employees take on apprentices, while in England under a third of very large firms do.<sup>31</sup>

England has most ground to make up in respect of higher apprenticeships. Around 80 per cent of apprenticeship starters in Germany complete their course and 75 per cent of these at level 3. The corresponding percentages for England are 50 per cent and one-third.<sup>32</sup>

Analysis by the Confederation of British Industries (CBI) suggests that differences in apprenticeship outcomes between countries may be driven by differences in the school systems. It has noted that more than half of students in Germany take up vocational options in upper secondary education, while in Austria and the Netherlands, the figures are even higher, 67 per cent and 71 per cent respectively. In the UK, in contrast, the figure is only 32 per cent.<sup>33</sup>

In Germany and other countries with higher rates of apprenticeships than the UK occupational regulation usually requires those working in many economic sectors to have attained vocational qualifications to a particular standard. This occupational regulation covers a broad package of skills and learning, and the vocational qualifications confer a ‘licence to practise’ on individuals and give them a broad and transferable

skill set. Such regulation and licences are absent in England apart from in few limited instances; attempts to extend this approach may be resisted as overly bureaucratic.

An extensive comparison of differences in vocational training between Germany and the UK has been provided by Dustmann and Schönberg.<sup>34</sup> This emphasises that the rates of employers' 'commitment' to training are fundamental to determining the differential outcomes in number and quality of the apprenticeships delivered by the apprenticeship systems in the two countries. In Germany, commitment on the side of the firm is achieved through a number of institutional mechanisms – such as centralised examination, monitoring of training facilities and qualification requirements for firms and senior workers who train young workers.

These institutional mechanisms are largely absent in the UK – there is no strict centralised examination (many firms can set their own tests and exams), no strict qualification requirements, little transparency, and so on. Apprentices in Germany believe that training offered by firms will secure them higher wages over the longer run, whereas in the UK this belief is less strong. Consequently, apprentices in Germany are prepared to accept much lower wages during their apprenticeship than British apprentices receive.

These low apprenticeship wages in Germany are required to enable the firms to meet the costs imposed on them by the institutional architecture needed to convince the apprentices of the firms' commitment to training. Equivalently low wages in the UK would fall below that which could be obtained for low-skilled work, which is therefore more attractive to potential British apprentices, as they do not believe in the same way as their German counterparts that firms are sufficiently committed to apprenticeship training to make them into valued workers. They are therefore better off accepting low-skilled work on a higher wage than the apprenticeship wage.

Policy makers in the UK have tended to see the low wage compensation as problematic and consequently have subsidised higher wages for apprentices. Dustmann and Schönberg believe this subsidy to be misconceived, as the difference in

apprenticeship system performance between Germany and the UK is explained not by differences in apprenticeship wages but by differences – or perceived differences – in employer commitment to apprenticeship training.<sup>35</sup> Indeed, German apprentices are prepared to accept lower wages than their British counterparts but only because they believe in the commitment of their employers to the training that they are giving them and the value that this will come to create for them in the labour market. According to this argument, the UK should put less emphasis on subsidising apprenticeship wages and more on convincing would-be apprentices of the commitment of firms to apprenticeships.

It is not just the UK that looks on increasingly enviously at the German apprenticeship system. The *New York Times* recently reported that American experts in government and academia believe that without more German-style apprenticeships ‘the nascent recovery in American manufacturing will run out of steam for lack of qualified workers’.<sup>36</sup> This followed President Obama speaking positively of the German model in his last state of the union address.<sup>37</sup>

An American think-tank, the Center for American Progress, has recently published a large-scale study on the contribution that apprenticeships might make to economic growth in the US.<sup>38</sup> This report praises a scheme introduced in South Carolina in which an annual tax credit of \$1,000 per apprentice was offered. Whether this corresponds to the emphasis on commitment stressed by Dustmann and Schönberg is debatable – the Center for American Progress may be willing the end achieved by the Germany apprenticeship system but advocating different means to attain it.

As the Center for American Progress draws on international experience to recommend a significant uplift in the number of American apprenticeships, Boston Consulting, on behalf of the Sutton Trust, has analysed the current situation in England and drawn on experiences in Germany, Switzerland, Singapore, Australia and other international systems to recommend there should be 150,000–300,000 extra three-year apprenticeship starts each year for young people in England.<sup>39</sup> It seems clear that policy makers in a range of countries have a growing interest

in matching the number and quality of apprenticeships that exist in the best performing countries. In contrast, no one is currently arguing that there should be 150,000–300,000 extra university places for young people in England.

## Different ways to think about the future of apprenticeships

When reflecting on how our levels of apprenticeship might catch up with those in comparable economies, and so address some of the weaknesses in our economy, we might consider three broad strategies for achieving this change:

- plan and provide
- plan and provide – with a focus on higher level apprenticeships
- focus on incentives

The focus on incentives begins by considering two types of incentive that people have for embarking on an apprenticeship:<sup>40</sup>

- Type 1 incentives are generated within the education and training system, producing intrinsic rewards through the act of learning. These develop and sustain positive attitudes towards participation and progression.
- Type 2 incentives are generated in wider society and the labour market, and the rewards they create are external to the learning process itself.

Simply put, type 1 incentives correspond to the value that we attach to learning and/or training itself, while type 2 incentives correspond to the value (eg higher wages and/or work status) that follows from this learning and/or training. According to Dustmann and Schönberg, potential apprentices in Germany believe sufficiently in the commitment of employers to apprenticeships to be convinced that the apprenticeship will result in higher wages for them in the longer term.<sup>41</sup> In other words, type 2 incentives are strong in Germany.

It is sometimes thought in the UK that type 1 and 2 incentives are too weak to secure the type and volume of skills that our economy requires. This has resulted in type 1b incentives being deployed: subsidy-based incentives to compensate for a lack of signals from the labour market (type 2 incentives).

Type 1b incentives are integral to the plan-and-provide approach to the apprenticeship system. They were dominant in the period following the Leitch review. At that time (2010), national targets were set for qualifications at different levels, training was subsidised with a focus on these targets, and the contracts of training providers with the Skills Funding Agency (SFA) and the National Apprenticeship Service were designed to meet these targets.

Less attention was given to the occupations and sectors in which apprenticeships were gained – and whether these were the ones of most economic importance – and to the geographic regions in which apprenticeships were gained. Subsidising the training of employers was seen as a means to the end of meeting national targets with little concern for the possibility that subsidies may attract employers with less commitment to apprentices, thus curbing the gain that would follow from the end itself. Thus type 1b incentives serve less to complement type 2 incentives and more to blunt them.

A variation on the plan-and-provide approach would be to target those apprenticeships that are considered most economically valuable. For example, the economic return to level 2 apprenticeships is not as large as that to higher apprenticeships. The apprenticeship system might therefore plan to provide more of these higher apprenticeships, rather than those at level 2.

Similarly, a Labour party policy review document has recommended that all apprenticeships:

- are at level 3 or above, which is the norm in Germany and other countries with strong apprenticeship systems
- last a minimum of two years for level 3 (equivalent to A-level) and three years for level 4 (university level)
- include at least a day a week (or the equivalent) of off-the-job training, ensuring that young people receive the broader

theoretical training that underpins mobility and progression in the labour market alongside work-based training

- are focused on new job entrants rather than existing employees<sup>42</sup>

The post-Leitch plan-and-provide approach concentrated on raising apprenticeships at all levels, leading, in particular, to growth at level 2. In contrast, it would be possible to act on this Labour recommendation by increasing the subsidies (type 1b incentives) available for higher apprenticeships and ensuring that the contracts of training providers reflect these priorities.

Both of these approaches are based on type 1b incentives, though, and these are thought to generate various problems:

- high cost because of their dependence on government subsidies, which seems particularly problematic in the context of today's highly constrained public budgets
- inefficiency, because of their tendency to subsidise training that would have been paid for anyway, which is referred to as being 'deadweight'
- a failure to generate lasting change in attitudes towards skills among businesses and workers, as training may be reduced once subsidy is removed; academics Fuller and Unwin suggest that Type 1b incentives are less effective at creating 'expansive apprenticeships'<sup>43</sup>

An alternative to focusing on type 1b incentives is to reconsider type 1 and 2 incentives. The distinction between expansive and restrictive apprenticeships developed by Fuller and Unwin is relevant to this. They acknowledge that some employers have valid reasons for taking a restrictive approach to apprenticeship, but argue that overall an apprenticeship characterised by expansive attributes will create a stronger and richer learning environment than one with restrictive features. Such an environment is likely to be richer in type 1 incentives (the intrinsic value of learning) and in type 2 incentives (the return to learning in the labour market).

The characteristics that Fuller and Unwin propose for an expansive apprenticeship are:

- dual status as learner and employee: explicit institutional recognition and support for apprentice's status as learner
- participation in multiple communities of practice inside and outside the workplace
- primary community of practice to have shared 'participative memory': cultural inheritance of apprenticeship
- broad: access to learning fostered by cross-company experiences built in to programme
- access to a range of qualifications including knowledge-based vocational qualification
- planned time off the job including for college attendance and for reflection
- gradual transition to full participation
- apprenticeship aim: a rounded expert who is full participant
- post-apprenticeship vision: progression for career
- apprenticeship used as a vehicle for aligning the goals of developing the individual and organisational capability
- apprenticeship design fosters opportunities to extend identity through boundary crossing
- apprentices to have full access to their workplace's curriculum, values and goals<sup>44</sup>

While type 1b incentives can buy short-term behaviour change, type 1 and 2 incentives can sustain more enduring behaviour change from apprentices and employers. This is because these incentives involve them coming to recognise the value of training, either for its own sake or for the return that it can generate in the labour and product market. However, it is the employers' buy-in – or according to Dustmann and Schönberg their commitment – that seems most important to delivering expansive apprenticeships.

As much as it is the apprentices who will go on to receive the wage benefit of an expansive apprenticeship (type 2 incentive), these wages will only follow from increases in productivity, which benefit the employer that provides the apprenticeship, presuming the worker does not change employer after their apprenticeship. It has long been thought that fear of such 'poaching' by other employers has inhibited

the level of training that employers invest in, including apprenticeship training.

To overcome this, it is necessary to convince employers that apprenticeships are a long-term investment worth making, sufficiently so for them to engage with the apprenticeship adequately to make it expansive. Thus apprenticeship policy cannot be disentangled from wider tendencies displayed by the UK economy towards short-termism – putting more focus on near-term circumstances and less on the steps necessary to grow strongly over the long term. This demonstrates the need for intelligent join-up between apprenticeships policy and industrial strategy.

### Scotland: leading the way?

Ewart Keep groups Scotland in a 'new policy club' with:

- Singapore
- Republic of Ireland
- Norway, Finland and Sweden
- Australia
- New Zealand<sup>45</sup>

He argues that the countries in this club:

- have ticked the skills supply box and are asking why the bang is not bigger given the bucks expended
- are heavily exposed to international economic competition
- have concerns about spreading success across the whole population

England might be thought to have ticked the skills supply box after Leitch and the subsequent failure to close the productivity gap with other economies has brought into question its plan-and-provide approach. Scotland had earlier also come to question the extent of the GDP bang that it has secured for its expenditure on skills. Scotland has spent proportionally far more on education than England, and has a better qualified workforce

as a result, but this has not resulted in higher wages or enhanced relative productivity.

Scotland published a new skills strategy in 2011. Recent figures suggest that this is having a positive impact on apprenticeships in Scotland. Skills Development Scotland – the apprenticeships funding body in Scotland – surveyed employers who had recruited modern apprentices, and found:

- 96 per cent of employers reported that their modern apprentice was better able to do their job as a result of their training
- 92 per cent of apprentices were still employed six months after completing
- 85 per cent of employers were happy with the relevance of modern apprenticeship training



### 3 Analysis of apprenticeship performance by English regions and economic sectors

This chapter begins by reviewing the number of apprentices in different regions and how these numbers have changed over recent years. It looks in more detail at progress in London, the East Midlands, the North East and the North West. These regions have been chosen because of their geographic spread across England and because they contain a range of different approaches to apprenticeship delivery and challenges to this delivery. It also assesses differences in performance between English cities.

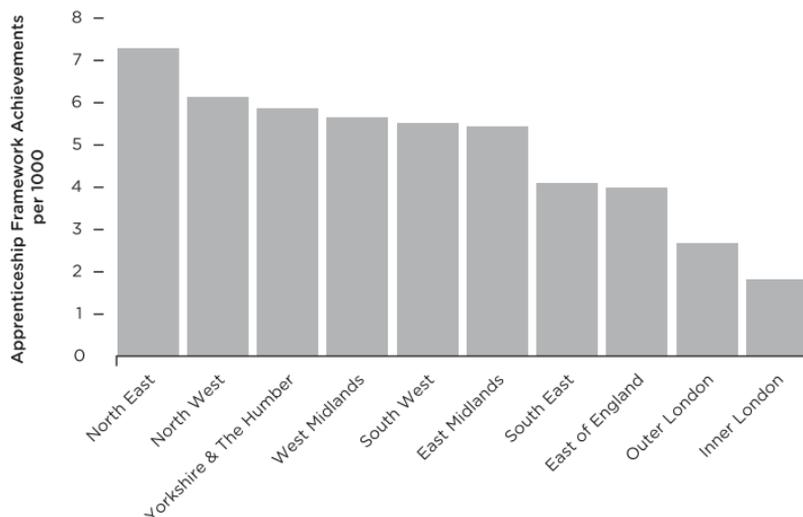
Apprenticeship performance varies by economic sector. If we want to maximise the contribution of apprenticeships to economic growth, it is important that performance on apprentices and skills is not lagging in sectors most important to growth. Therefore, having reviewed performance on apprentices across all sectors of the economy, we look in more detail at performance in financial services, business services, advanced manufacturing and the creative industries.

#### **Performance of English regions on apprenticeships**

Figure 5 shows that the further we move from London the more apprenticeship frameworks were completed per 1,000 working age people between August 2012 and April 2013. The tradition of apprenticeships is stronger in the manufacturing sector, than the service sector. As manufacturing is a more important source of employment in areas outside London than in London, it seems that this tradition continues to impact the number of apprenticeships undertaken in different English regions.

Although the number of apprenticeship frameworks completed in London lags behind the number in the rest of

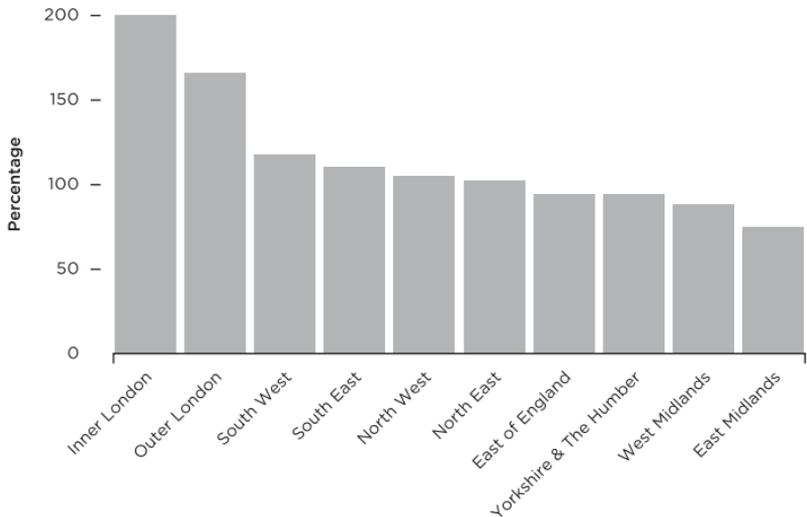
Figure 5 **Apprenticeship framework achievements per 1,000 working age people in English regions, August 2012 to April 2013**



Source: SFS and BIS data<sup>46</sup>

England, figure 6 shows that the most rapid increase in apprenticeships between 2005/06 and 2010/11 occurred in London. Both mayors of London who served during this period have emphasised the importance of apprenticeships. For example, Boris Johnson, the incumbent mayor, has set a target to have 250,000 apprentices in the capital by the end of May 2016.<sup>47</sup> As the mayor has leverage over a wide range of public policy and private business activity in London, it is likely that the political focus on apprenticeships helps explain the increase in London between 2005/06 and 2010/11. London still has some way to go to catch up with other English regions on apprenticeships, but the mayor in London possibly provides a political direction and focus on apprenticeships for the capital city that does not exist in UK regions that have no equivalent to London's mayor.

Figure 6 **Percentage change in apprenticeship framework achievements in UK between 2005/06 and 2010/11**

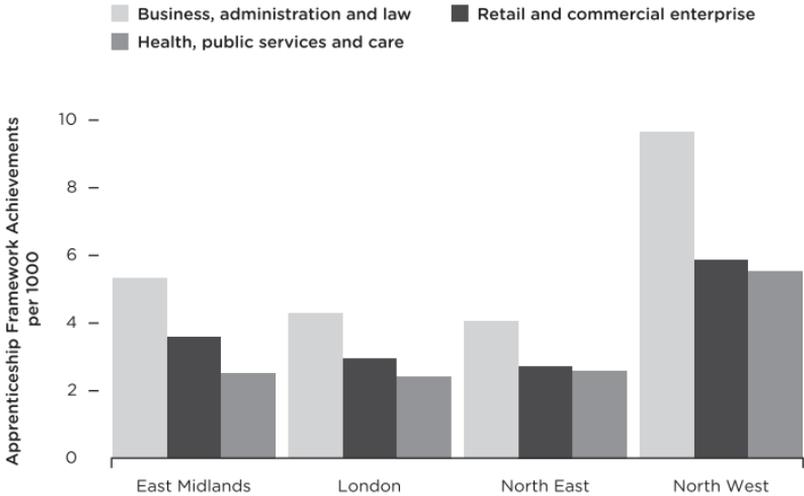


Source: SFA and BIS data<sup>48</sup>

While figure 6 illustrates the variation in number of apprenticeships and the rate of change in this number in regions in the UK, figure 7 demonstrates that there is a striking consistency between regions in the kinds of apprenticeships that are being undertaken. Figure 7 shows a sample of regions in different parts of England, in all of which business, administration and law apprenticeships are dominant, followed by retail and commercial enterprise and health, public services and care.

Table 1 gives the English regions with the highest and lowest proportions of apprentices and the average number of apprentices across England in each sector subject area. It shows that the different regions tend to be very tightly clustered around the English average – the region with the lowest proportion of apprentices in the sector tends not to be far below the English average and the region with the highest tends not to be far above the English average.

Figure 7 **Apprenticeship framework achievements by UK region in three most popular sector subject area, 2012/13 in-year estimates**



Source: SFA and BIS data<sup>49</sup>

Unsurprisingly, given the dominance of the service sector in London, the capital lags the English average on engineering and manufacturing technologies. More surprisingly, London also lags the English average on retail and commercial enterprise. Given that areas of London like Oxford Street are major shopping destinations, this may be a priority sector for further apprenticeship growth in London.

More generally, the clustering of different regions around the English average suggests that the apprenticeship system is not as tightly bound to the regional economies as we might presume. Different parts of England have very different labour markets and dominant sources of employment. Yet this seems to be only reflected to a limited extent in the proportion of apprenticeships undertaken in different English regions.

Disjuncture between employment and apprenticeship concentrations in different regions is consistent with an

Table 1 **Lowest and highest number of apprenticeship framework achievements by region and sector subject area, 2012/13 in-year estimates**

Sector subject area	Region with highest proportion of apprentices in sector subject area	English average	Region with lowest proportion of apprentices in sector subject area
Agriculture, horticulture and animal care	South West - 2.4%	1.6%	North East - 0.9%
Arts, media and publishing	South West - 0.3%	0.1%	East of England - 0.06%
Business, administration and law	North West - 35%	31%	South West - 24%
Construction, planning and the built environment	South West - 4.5%	3.2%	West Midlands - 2.5%
Education and training	South East - 2.1%	1.3%	West Midlands - 0.6%
Engineering and manufacturing technologies	West Midlands - 18.7%	14.1%	London - 9.2%
Health, public services and care	London - 22%	20%	East Midlands - 16%
Information and communication technology	South West - 4.8%	3.1%	East Midlands - 2.2%
Leisure, travel and tourism	London - 7%	4%	North East - 2%
Retail and commercial enterprise	Yorkshire and the Humber - 25%	22%	London - 18%

Source: Demos analysis of SFA and DBIS data<sup>50</sup>

observation made by David Sainsbury, who argues that ‘the funding doesn’t ensure that the colleges are closely linked to local industry needs, which is essential for this type of education and training’.<sup>51</sup> It is vital that the apprenticeship system meets the current and future skill requirements of localities. If FE colleges could meet these requirements better by changing the way in which funding is awarded to them, then taking this action would be an important step forward.

In this context it is noticeable that the 157 Group, which represents the 30 largest FE colleges in the UK, has recently stated:

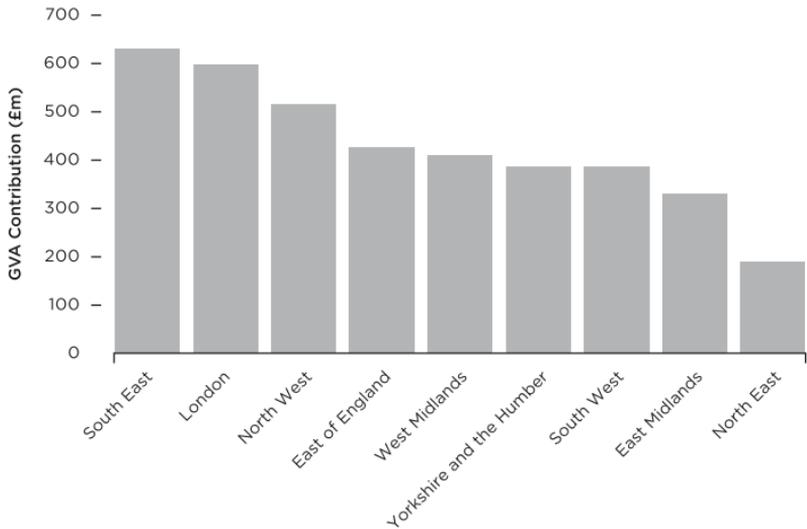
*Annual changes to the funding system and envelope cause as many issues as reductions. Other countries and other British services, such as the Department for Work and Pensions (DWP) Work Programme contracts, have had their funding envelopes set for three or more years. This approach allows for proper planning, capacity building or making reductions where necessary; gives confidence to private investors; and allows colleges to match provision to longer-term goals of business. The 157 Group appreciates that it will be difficult in the present fiscal situation to give longer than three-year budgets, but asks the government to consider seriously this option.<sup>52</sup>*

This seems a well-argued point. If implemented, their suggestion could improve the capacities of FE colleges for no increase in total public spending.

These capacities will need to increase for apprenticeships to fulfil their maximum economic potential in England. Given that Boston Consulting has recently estimated that 150,000–300,000 additional apprenticeships would be necessary for England to catch up with comparable economies<sup>53</sup> and that the CEBR has measured the productivity gain attaching to each apprenticeship in various sectors of the economy,<sup>54</sup> it is possible to calculate the additional gross-value added that would be generated in each of the English regions if the catch up recommended by Boston Consulting were to be made.<sup>55</sup>

Figure 8 shows the estimated additional gross-value-added (GVA) contribution by region if England were to match apprenticeship numbers in comparable economies. The potential gain to GDP is considerable. At almost £4 billion it exceeds the

Figure 8 **Estimated additional GVA contribution by region if England were to match apprenticeship numbers in comparable economies (£m)**



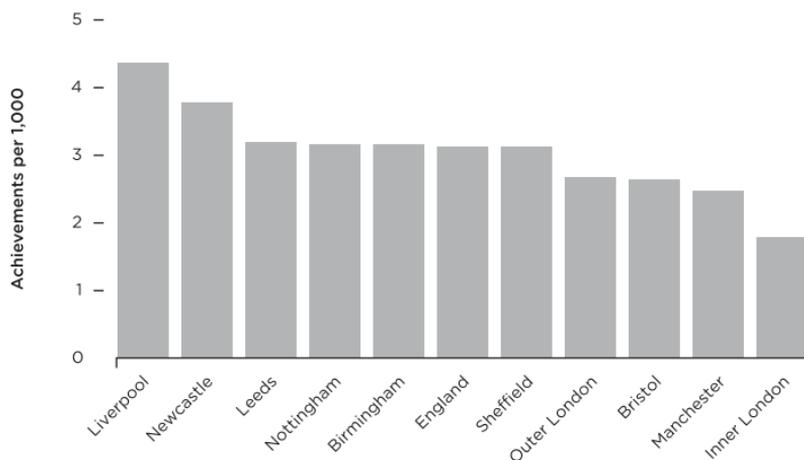
Source: Demos analysis of Boston Consulting and CEBR results

total annual contribution to GDP made by such sectors as architecture and design.<sup>56</sup> In not having the number of apprentices necessary to catch up with rival economies, what England is foregoing is therefore greater in GVA terms than what would be foregone if the architecture industry were to collapse immediately and completely.

### How English cities measure up

Figure 9 shows that a relatively high number of apprenticeships are being gained in Liverpool, Newcastle, Leeds, Nottingham and Birmingham: all perform above the English average. The contrasting performance of Liverpool and Manchester is striking: Liverpool performs well above the English average and Manchester below. The Liverpool Futures programme, which is

Figure 9 **Apprenticeship framework achievements per 1,000 working age people in English cities, August 2012 to April 2013**

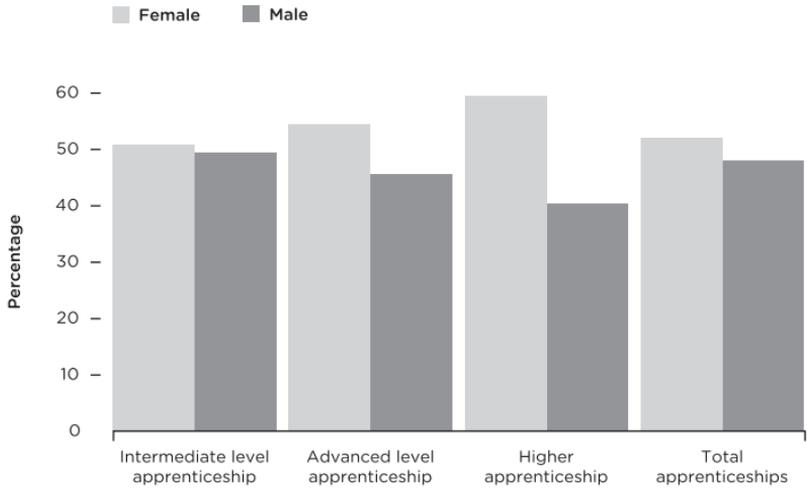


Source: SFA and DBIS data<sup>57</sup>

run by a partnership of the local chamber of commerce, Liverpool city council and the Eldonian Group, is helping up to 3,500 young people to become apprentices. Such schemes are allowing Liverpool to deliver more apprenticeships than Manchester, although Liverpool and Manchester are both cities in the North West with relatively similar local economic structures.

The Economy Committee in the London Assembly is looking at why there are relatively fewer apprentices in London than in the rest of the UK, whether the schemes on offer are effective, and what more could be done by the mayor and the Greater London Authority. It will also examine the potential effect of major government changes to programmes being introduced to apprenticeship programmes over the coming year, including greater involvement from employers in design and delivery, and a more substantial role for the London Enterprise Panel in directing skills funding in the capital to increase uptake.

Figure 10 **Male and female apprenticeship learners as proportion of total learners in UK at different levels, 2011/12**



Source: SFA and BIS data<sup>58</sup>

Hopefully, apprenticeship policy in other cities is subject to similar scrutiny, particularly those that are presently falling below the English average number of apprenticeship frameworks per 1,000 people.

### Diversity and apprenticeships

Research for unionlearn with the TUC recently noted that in line with the expansion in apprenticeships over recent years, the success rates for female apprentices have improved and the gap in success between those who have and do not have a learning disability or difficulty has narrowed. However, success rates for apprentices from black or mixed ethnic backgrounds lag those for apprentices who are white or Asian.<sup>59</sup>

Figure 10 shows that at each apprenticeship level – intermediate, advanced, higher – there are more females than males. In fact, the higher the apprenticeship level, the wider the

Table 2 **The proportion of female starts in 14 most populated apprenticeship sectors in England, 2008/09 and 2011/12**

Sector	2008/09 (%)	2011/12 (%)
Health & social care	86	83
Customer service	69	62
Management	62	58
Business administration	81	75
Hospitality & catering	54	53
Retail	66	57
Children's care	97	93
Industrial applications	1	12
Hairdressing	90	91
Active leisure & learning	35	27
Engineering	3	3
Construction	2	2
IT and telecoms professionals	9	10
Accountancy	68	62

Source: SFA and BIS data<sup>60</sup>

gap between the number of female and male participants. There were 420,200 more female than male apprenticeship learners in 2011/12.

While figure 10 demonstrates that participation rates of women in apprenticeships are in general positive, the figures for individual sectors in which females are undertaking apprenticeships are mixed. Some sectors are heavily dominated by female apprentices (health and social, business administration, children's care and hairdressing), but in others there is a smaller proportion of female apprentices (industrial applications, construction, engineering, and IT and telecoms).

Table 2 shows the proportion of women starting apprenticeships in England in different sectors between 2008/09 and 2011/12. There has been some improvement in this period. For example, females have moved from being 1 per cent of apprenticeship starts in industrial applications in 2008/09 to 12 per cent in 2011/12. Nonetheless, there is a long way to go in overcoming the influence of traditional stereotypes of male and female roles within apprenticeships, which reinforces the

Table 3 **Apprenticeship framework achievements by UK sector subject area in 2011/12 and percentage change since 2005/06**

Sector	Apprenticeship framework achievements in 2011/12	Percentage change since 2005/06
Business, administration and law	80,470	247%
Retail and commercial enterprise	58,980	184%
Health, public services and care	41,710	286%
Engineering and manufacturing technologies	34,550	55%
Leisure, travel and tourism	14,080	354%
Construction, planning and the built environment	12,600	4%
Information and communication technology	9,400	139%
Agriculture, horticulture and animal care	3,840	66%
Education and training	2,300	22900%
Arts, media and publishing	430	1333%

Source: Demos analysis of SFA and BIS data<sup>61</sup>

importance attached to improving the advice given in careers service departments in schools, which is made elsewhere in this report.

### The performance of economic sectors on apprenticeships

Table 3 shows that there was a rapid increase in the number of apprenticeships across most economic sectors between 2005/06 and 2011/12. An exception to this was construction. It may be worth noting in this context that according to union estimates, about 70 per cent of skilled construction workers on big civil engineering projects in southeast England are not British.<sup>62</sup> The availability of alternative sources of skilled labour due to immigration may have reduced the willingness of construction firms to build their skills through apprenticeships. In contrast, apprenticeships in arts, media and publishing have grown at an extraordinary rate from a very low base.

## The performance of financial services on apprenticeships

The Chartered Insurance Institute (CII) notes that apprenticeships in the insurance sector are becoming an increasingly popular way to address the industry's skill requirements. In December 2013, the CII reported on a survey of 2,300 general insurance focused members and employers. This revealed that there has been a big rise in awareness among employers of insurance apprenticeships containing professional qualifications, with 67 per cent aware they exist – an increase from 46 per cent since 2009. Moreover, employers in 53 per cent of firms said they would consider employing an apprentice. Daniel Pedley, public affairs manager at the CII, argues, 'Ensuring general insurance has a strong talent pipeline is critical'. This is why it's vital that the insurance sector continues to explore and develop new routes of entry such as apprenticeships'.

This development is occurring across the financial sector, not just in insurance. This is illustrated by the interview in the case study below with Chris Jackson, head of emerging talent of Lloyds Banking Group. As UK banking continues to rebuild from the financial crisis of 2008/09, it is noticeable that Lloyds see the employment of apprenticeships as a means of developing workers 'fully committed to both the organisation and its customers'. While the causes of the financial crisis are complex, its repetition is less likely with more people in the sector better attuned to the values of diligent customer service. Similarly, Steve Goldthorpe, head of academies at British Gas, stresses that 'apprenticeships are important in terms of instilling what it is expected at work'.

### **Case study: Interview with Chris Jackson, Head of Emerging Talent, Lloyds Banking Group**

Please give an overview of your apprenticeship scheme and its history. How many apprentices [are] employed?

*As a major UK employer, we have a responsibility towards young people in the UK. We want to give them the right opportunities to make the best of themselves, and we see our apprenticeship programme playing a very big part in that.*

*We have just over 1,000 apprentices on programme that are spread across all four nations. The majority are within our Retail Division and are completing pathways within the Providing Financial Service Framework. 40 per cent of these apprenticeships are new to the bank. This percentage will increase next year as we grow our opportunities.*

How long has the firm employed apprentices?

*Our first cohort started in October 2012.*

Roughly how many applications do you receive per apprenticeship place?

*We seen averages of around 60 applications for our specialist apprenticeships in IT and project management, for example.*

Do you expect that you will be employing a) more or b) less apprentices in 5 years time? And what does this depend upon?

*More – we have made a commitment to expand our programme to 2,000 apprenticeships by 2016.*

How could schools better prepare students for the world of work and apprenticeships?

*Developing real partnerships with employers to give students valuable business skills training and non-biased careers information to enable them to make an informed decision on their next step.*

Please describe the place of apprentices in your business model. How important are they to the success of your business compared to other factors (eg access to finance, quality of management)?

*Our apprenticeship programme is a way of creating a new generation of colleagues with a drive for continuous learning and a pride in developing their professional competence. We expect the best to progress rapidly and provide us with a rich stream of future leaders who are fully committed to both the organisation and its customers.*

## The performance of business services on apprenticeships

The UK is a world leader in accountancy and other business services. These industries have tended to have high rates of graduate recruitment. However, as these industries attempt to consolidate the UK's position as a world leader, an increasing number of firms are diversifying their entry routes, in particular through apprenticeships. KPMG is a major firm to have done so, as demonstrated in the interview below with its head of student recruitment.

### **Case study: Interview with Alison Heron, Head of Student Recruitment, KPMG**

Please give an overview of your apprenticeship scheme and its history. How many apprentices [are] employed? How long has the firm employed apprentices?

*We first took apprentices into risk consulting in September 2012; two schemes were launched earlier that year in collaboration with the National Apprenticeship Service, an accountancy route and a technology route. We currently have 22 students on these apprenticeships. This year we have also launched a Business Support Academy, a 13-month apprenticeship opportunity to work as a team secretary or graphics specialist and achieve an NVQ [National Vocational Qualification] Business and Administration level 3.*

Roughly how many applications do you receive per apprenticeship place?

*Around 12.*

Do you expect that you will be employing a) more or b) less apprentices in 5 years time? And what does this depend upon?

*We are continually reviewing our early entry programmes and I think we will increase them in other business areas as they see the value in employing a more diverse group at this level.*

How could schools better prepare students for the world of work and apprenticeships?

*Closer relationships with businesses and giving students better information on their options apart from going to university.*

Please describe the place of apprentices in your business model. How important are they to the success of your business compared to other factors (eg access to finance, quality of management)?

*As a professional services firm, people are just as important to us as our clients – if we don't have good people we will not get good clients. Over the last three years we have been extending our early entry programmes to recruit wider than just graduates, so our school leaver and apprenticeship programmes are now as important to us as our graduate intake.*

## Performance of advanced manufacturing on apprenticeships

There is a greater tradition of apprenticeships in the manufacturing sector than in the services sector in the UK. This is reflected in areas of the country with higher levels of manufacturing employment – such as the north of England – having higher apprenticeship rates than those areas with higher levels of service sector employment – like London.

Nonetheless, when measuring global market share and exports, the UK's manufacturing productivity falls behind that of Germany, which has a well-respected apprenticeship system. This apprenticeship system may form part of the explanation for Germany's superior manufacturing performance to that of the UK.

As the UK attempts to develop an apprenticeship system to help sustain a manufacturing sector as competitive as that in Germany', the government is committed to ensure that in future apprenticeships will be based on standards developed by employers. This follows a recommendation in the Richard

Review of Apprenticeships.<sup>63</sup> The approach recommended is not as exacting as the German ‘licence to practice’, where apprentices undergoing apprenticeships in occupations that embody certain occupational standards are required to work full time in these occupations, but is similar in seeking to align specific standards, recognised by relevant practitioners, with particular occupations.

Trailblazer schemes are a key part of the government’s attempt to move the apprenticeships system in this direction. One of the Trailblazers is in aerospace. This is led by organisations including Airbus, BAE Systems, GKN Aerospace, the Institution of Engineering and Technology, Magellan Aerospace UK Ltd, Marshall Aerospace and Defence Group, MSM Aerospace Fabricators, Rolls-Royce and the Royal Aeronautical Society. This will develop the standard for an aerospace manufacturing fitter. The interview with a representative from BAE Systems in the case study below demonstrates the importance that this firm places on apprenticeships.

The Trailblazers will give employers the opportunity to lead the development of new apprenticeship standards and the more robust assessment approaches that sit alongside them. Once approved, the standards developed by Trailblazer schemes will become the apprenticeship standard for that occupation. In addition to aerospace, Trailblazers have been formed in the following sectors:

- automotive, to develop the standard for automotive mechatronics maintenance technician
- digital industries, to develop the standards for software development and networking
- electrotechnical, to develop the standards for installation electrician and maintenance electrician
- energy and utilities, to develop the standard for maintenance engineers
- financial services, to develop the standards for corporate banking, digital marketing, and relevant compliance
- food and drink manufacturing, to develop the standards for laboratory technician, science manufacturing technician and medical technology technician

In a recent report on apprenticeships Boston Consulting Group' noted that England's vocational system has 18,000 different qualifications compared with just 330 qualifications in Germany.<sup>64</sup> This is because the Germany qualifications are much more streamlined around the occupational standards necessitated by the 'licence to practice' systems that they have in operation.

This contrast between Germany and England is further highlighted by the conclusion to a recent study by Fuller and Unwin, *Apprenticeship and the Concept of Occupation*, which was focused on the English apprenticeship system:

*Whilst there are some high quality apprenticeships in England, particularly in fields related to engineering and technology, the 'anything goes' approach to the inclusion of job titles and job roles across and within frameworks has created a highly inconsistent and overly complex system. In relation to STEM, the fact that apprentices from Level 2 to Level 5 can be classed as a 'technician' shows that there is no shared understanding of this term and what it might signify in terms of the level of skills required in an occupational field.*<sup>65</sup>

The number of Trailblazers that are developing one form or other of 'technician' standard might suggest that while the Trailblazers are intended to overcome the 'anything goes' approach, they may not be wholly succeeding in doing so. The standards of the Trailblazers are largely developed by major employers, who may see things in different ways from smaller firms, and their sector focus may inadvertently result in more apprenticeship qualifications being developed than is optimal.

There is, in contrast, only one professional qualification for accountancy, while accountants work across many sectors. It is more efficient and closer to the German model for apprenticeships to have a single standard for the profession or occupation, rather than different standards across different sectors.

The Trailblazers begin with sectors and attach occupations to these sectors. We might better achieve a set of occupational standards by beginning with the occupations themselves, rather than sectors. However, the institutional history of apprenticeships in England has tended to place sectors in a central role –

for example, sector skills councils are by definition structured around sectors. And sector skills councils continue to be integral to the Trailblazers. For example, e-skills, the sector skills council for business and information technology, is coordinating the Trailblazers on digital industries.

To ensure that occupational standards have as much credibility as possible, they should align as far as possible with existing standards developed by professional bodies. These bodies have the potential to bring a strong sense of occupation to the skills system, but their engagement with apprenticeships has been relatively limited to date.

It would help embed a stronger sense of occupation if professional bodies more fully engaged with apprenticeships, and they would be more likely to do so if a larger proportion of the technician workforce was registered with professional bodies. Trade unions might encourage employers to pay for such registration for a five-year period on completion of a relevant apprenticeship. The business case for the employer doing so is that registration provides the employee with a means of ongoing professional development, while the more apprenticeship graduates gain registration in this way, the more the technician workforce becomes represented within professional bodies.<sup>66</sup>

While the Trailblazers face challenges to develop apprenticeships best able to support a manufacturing sector as dynamic as Germany's, the interview in the case study below with Richard Hamer of BAE makes clear the importance that leading manufacturers place on apprenticeships.

**Case study: Interview with Richard Hamer, Education Director & Head of Early Career Programmes, BAE Systems plc**

Please give an overview of your apprenticeship scheme and its history. How many apprentices [are] employed? How long has the firm employed apprentices?

*We have a number of apprenticeship programmes at craft, technical and higher apprenticeship level across the UK. The bulk of these are engineering apprenticeships at level 3,*

*although we are seeing a growth in higher apprenticeships and around 10 per cent of our September 2014 intake will be at this level. We have around 900 apprentices in training at any time. BAE Systems has always had apprenticeships as part of our core early career programmes. They underpin our engineering and manufacturing capability.*

Roughly how many applications do you receive per apprenticeship place?

*Around 20.*

Have any apprentices gone on to hold senior management positions within the firm?

*No precise data, but there is a long and strong tradition of progression from apprenticeships. In our military air and information business over half the top 400 managers started as apprentices. The MD [managing director] of this business started as an apprentice – as did our UK Group MD.*

Do you expect that you will be employing a) more or b) less apprentices in 5 years time? And what does this depend upon?

*I can't give a firm figure for five years. The exact number will depend on the order book and future work requirements. However the trend is rising. We recruited 374 apprentices last year and the indication is that we will be recruiting 450 plus apprentices next September.*

How could schools better prepare students for the world of work and apprenticeships?

*Schools can help by being supportive to opportunities to build closer links with local employers and offering work experience to their pupils. We find work experience critical to giving young people an understanding of engineering and what an apprenticeship offers.*

Please describe the place of apprentices in your business model. How important are they to the success of your business compared to other factors (eg access to finance, quality of management)?

*Apprenticeships play a key role in our future skills strategy, Skills 2020. We have specialist engineering skills we can't simply recruit in the market and apprenticeships help ensure we develop and retain these critical skills.*

## The performance of creative industries on apprenticeships

From a very low base, the number of apprenticeships in the creative industries has increased rapidly over recent years. The Creative Employment Programme is assisting with this. The Arts Council put in place a £15 million fund to support the creation of traineeships, formal apprenticeships and paid internship opportunities in England for young unemployed people aged 16–24 wishing to pursue a career in the arts and cultural sector.

The focus will be on Arts Council England's footprint:

- music
- dance
- theatre
- literature
- visual arts
- contemporary craft
- combined arts
- galleries
- circus
- carnival arts
- museums
- libraries

This scheme follows the Creative Jobs Programme. The Arts Council co-invested in this programme with BP and others. It was run by the Royal Opera House in London during the Olympics and Paralympics. The success of the Creative Jobs

Programme was important to the Arts Council extending its involvement in apprenticeships through the Creative Employment Programme. The evaluation of the Creative Jobs Programme reported that its likely legacies are:

- development of a cohort of young people who are engaged, enthused and job ready, with much improved CVs and the chance of being given references by professionals in the sector
- a network of arts organisations with growing experience in training young people from diverse backgrounds, leading to improved practice in their organisations and the potential to share this practice as new apprenticeships schemes roll out; this may have particular benefits in East London, where there is now a network of experienced organisations with a combination of training skills and the ability to reach young people in the local community
- effective partnership working and networks emerging between large and small arts organisations in London, which could lead to a range of new collaborations
- improved communication and links between arts organisations and agencies helping young people to move into work and training, with the potential to build stronger partnerships in the future
- a strong exemplar of what the arts can do for unemployed young people, which could help arts organisations to advocate for their role in the youth unemployment agenda, drawing down funding from Department of Business, Innovation and Skills (BIS) and the DWP
- potential to broaden out the programme further to commercial organisations in the creative industries
- an immediate impact through informing the national roll out of 6,500 apprenticeship and other training opportunities via the Creative Employment Programme

Since April 2013 the Community Employment Programme has committed funding to date to create 634 apprenticeships, and 655 paid internships across 491 employers. Nearly three-quarters (73 per cent) of these positions have been created

through ‘consortiums’, whereby a lead applicant such as a local authority, LEP, trade body, network or larger employer stepped forward to make an application on behalf of a number of employers who might not otherwise understand how to create apprenticeships or what combination of the myriad of funding they may be eligible for. This model removes the bureaucracy and ‘hides the wires’ to the end employer, who ultimately just wants an apprentice and does not necessarily want, or need to understand, the complicated landscape.

This excellent performance sharply contrasts with that of the Youth Contract, which missed its employment target by more than 92 per cent in July 2013. It was revealed at that time that the flagship national scheme to tackle youth unemployment had paid out for less than 4,700 placements for its target group of 18–24 year olds who have been out of work for more than six months, despite the wage incentive to employers that is part of the Youth Contract.

While the Youth Contract may contain a wage incentive, it lacks what the ‘consortiums’ within the Creative Jobs Programme have: networks, effective partnership working, improved communication and links. These attributes might be said to amount to a community of trust. In contrast, there seems to be a lack of trust in the mechanisms of the Youth Contract, which even its wage incentive cannot overcome. Employers are encouraged to recruit apprentices within communities of trust and are less likely to do so when not supported within such a community. Within these communities, employers are asked to take on apprentices by someone whom they know and trust and are supported through this process. In contrast, the process for accessing the Youth Contract appears a more daunting and bureaucratic process.

The DWP should consider rerouting funding presently allocated to the Youth Contract to schemes that are characterised by communities of trust, including the Creative Employment Programme. The poor performance of the Youth Contract compared with schemes like the Creative Employment Programme suggests that this would increase the number of apprenticeships for the same public spend. The case study below

features an interview with Paul Latham of Live Nation Entertainment, who has been a long-standing champion of apprenticeships in the creative industries and has helped build the communities of trust that can help improve the performance of the Youth Contract.

**Case study: Interview with Paul Latham, President UK at Live Nation Entertainment**

Please give an overview of your apprenticeship scheme and its history. How many apprentices [are] employed? How long has the firm employed apprentices?

*The aim of apprenticeships within Live Nation Entertainment is to give young people the opportunity to join an exciting and dynamic business, which historically has been a difficult industry to get into. The company began working with apprenticeships in conjunction with the National Skills Academy (NSA) – Creative and Cultural Skills in 2009. The programme is sponsored by Live Nation as we are passionate about opening the doors of our business to youngsters.*

*Over the past five years, the progression and development of the apprenticeship programme has been challenging and we faced many issues with the recruitment of the apprentices, the NSA, founder colleges and training providers, in the main because the existing pathways did not fit with our business. However, through a great deal of collaboration, perseverance and learning, we have established a solid and supportive apprenticeship scheme across our business.*

*The apprentices are predominantly based in our venues/festival business as they are the best fit for the NSA pathways. We do also have an apprentice in our IT department in the London Head Office.*

*Since 2009 we have employed 15 apprentices (seven currently employed – two in their second year of their qualification).*

Roughly how many applications do you receive per apprenticeship place?

*80–100.*

Have any apprentices gone on to hold senior management positions within the firm?

*It is too early for this to happen and we are not always in a position to offer our apprentices a full-time role at the end of their time with us (due to the seasonal nature of our business). We maintain contact with our apprentices and should a suitable vacancy arise, they will be informed and can apply for the relevant role.*

Do you expect that you will be employing a) more or b) less apprentices in 5 years time? And what does this depend upon?

*We expect that we will employ more apprentices as the programme grows as we educate our managers in the benefits of taking on an apprentice within their department. As with everything, we have budget constraints and often managers need a full-time employee who already has the skills to carry out applicable role.*

How could schools better prepare students for the world of work and apprenticeships?

*It would be helpful for students to understand the value of being an apprentice within a business, [and] ensure that they are fully committed to the role and not just seeing it as a way of getting out of going to college.*

*They need to be aware of business etiquette: time keeping, sickness (following procedures) and social skills in mixing with a team. It is also essential that they understand there is a requirement to complete evidence for their qualification be it at college or work based. Some apprentices are reluctant to put the work into this as they have chosen not to take the academic route to university due to the work required. There will always be an aspect of evidence gathering to achieve the qualification.*

*For our business in particular, understanding that they will not be meeting and mixing with 'rock stars' and getting free tickets to every gig! Also that the work is definitely not 9-5, Monday to Friday.*

Please describe the place of apprentices in your business model. How important are they to the success of your business compared to other factors (eg access to finance, quality of management)?

*We are very keen to 'grow our own talent' within all parts of the business which helps to achieve loyalty and commitment from our employees. Many of our employees have 'come up through the ranks' including many of our senior executives. If an apprentice works hard and shows initiative, there are many opportunities for them to explore once they have completed their time with us.*



## 4 The future of apprenticeships

This chapter begins by arguing that a new kind of leadership is necessary to bring the brightest possible future for apprenticeships. As much as the minister for skills remains a key player in this future, this leadership must be more bottom-up than the pulling of Whitehall levers. The chapter then goes on to describe the role of schools, employers, trade bodies, training providers (eg FE colleges), and local authorities and others responsible for local economic development in providing this leadership.

### **A new kind of leadership for apprenticeships – creating ‘skin in the game’**

The new leadership that apprenticeships require would be more dispersed than that contained in the plan-and-provide approach to apprenticeships. Rather than this hierarchical leadership, cascading down from central government, we need bottom-up leadership, which starts with school children themselves.

They need schools that enable them to put themselves in command of their careers through an apprenticeship, by providing them with the skills and attributes necessary to commence an apprenticeship and by giving them the advice and guidance required to identify the apprenticeship that will provide them with the platform that their chosen career demands. The need that pupils have for schools to better fulfil these roles means that there is a case for incorporating an evaluation of how well they are fulfilling them into the Ofsted assessment of schools.

All other partners in the apprenticeship system also have leadership functions that they might better fulfil. Many of these functions complement and balance one another. The role of central government should not be to decree targets and prescribe terms – in respect of training subsidies and contracts

for training providers – that override all concerns beside satisfying these targets. It should be to ensure that the optimal balance between the different leadership functions of the various partners is maintained.

We need more employers to show the far-sighted leadership of their businesses that is constituted by hiring apprenticeships and ensuring that these are expansive apprenticeships. If they are leading their businesses with a focus on the long term, they will be more likely than otherwise to invest in apprentices. In particular, it would be welcome to see the numbers of apprentices increasing in small and medium enterprises (SMEs). Larger firms may be able to assist SMEs with this, grow the skills of their supply chain and be leaders of their sector by ‘over-training’ – training more apprentices than they need, in anticipation that they will later find work with SMEs in their supply chain.

Trade bodies can also play an important role as sector leaders – championing apprenticeships, helping to iron out whatever barriers prevent their members getting as much from apprenticeships as they might do, and bringing together small and large firms that may be able to benefit mutually from ‘over-training’ models. The government should review the latest thinking on what incentives it might better put in place to unlock these models.<sup>67</sup>

As trade bodies provide this kind of leadership to their sectors, similar leadership is needed for local and sub-regional economies. The rhetorical and policy commitment of the mayor of London to apprenticeships has contributed towards the city making significant strides towards reducing its historic shortfall of apprenticeships compared with the rest of the country.

While performance on apprenticeships varies between the 33 London boroughs, Waltham Forest provides a good example of a London local authority taking steps to improve performance within its locality. As much as all local authorities inside and outside London would benefit from being local leaders on apprentices in a similar way to Waltham Forest, England outside London lacks advocates with the force and prominence of the mayor of London.

Amid the patchwork of city deals, LEPs, combined authorities and the like, which now characterises the government's attempt to rebalance the economy geographically away from London and the south east, local leaders must emerge, capable of ensuring that apprenticeships are playing as full a role as they can do in local economies. While England outside London awaits local leaders able to pack the punch of the mayor of London – and perhaps there is evidence from Liverpool that Joe Anderson is such a leader on apprenticeships – there is nothing to now stop local authority leaders seizing the future for themselves and incorporating expectations on apprenticeships into their planning and procurement policies.

Where local authorities are taking leadership on apprenticeships, strong relationships with local FE colleges will tend to be beneficial. These colleges are often among those to whom local leaders look to meet the skill needs of local businesses, now and in the long term, and the apprenticeship aspirations of local people. The Royal Society of Arts (RSA) reviewed potential futures for FE colleges. In one of these futures, FE 'remains a "Cinderella" service pushed and pulled by more powerful local players'. In another, however, FE 'serves the needs of learners through being a creative partner in local growth and service reform agendas'.<sup>68</sup> Being this creative partner requires strong and dynamic leadership of FE colleges, and BIS should make it a priority to put this into place.

Warren Buffet coined the phrase 'skin in the game' to indicate that participants have incurred monetary risk by investing in an achieved goal. More generally, we can think of 'skin in the game' as being a situation in which individuals or organisations understand their wellbeing to be dependent on securing some goal shared with others. This can be seen, in various senses, as relevant to the leadership that we advocate here.

Schools with skin in the game demonstrate their commitment to the future of their pupils by incorporating the performance of schools in securing apprenticeships for these pupils into the overall Ofsted assessment of schools.

Larger firms with skin of the game demonstrate their commitment to the skills future of their sectors through over-

training models. Trade bodies with skin in this game help broker relationships between big and small firms that mutually benefit them through these models.

Local authorities with skin in the game demonstrate their commitment to the skills future of their localities by fully factoring apprenticeships into their economic development plans, including through their procurement and planning policies. FE Colleges with skin in this game develop the skills that these procurement and planning policies will create local demand for.

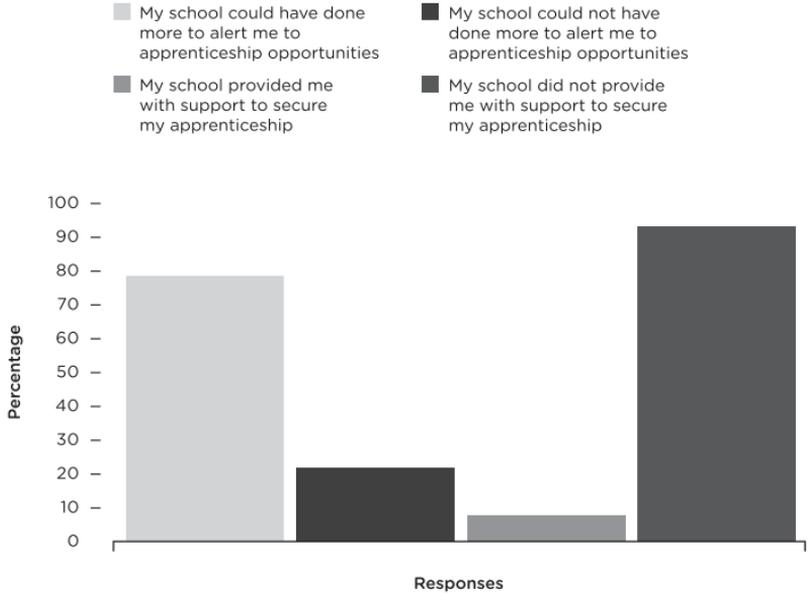
### The role of schools

There is clear evidence from our survey of apprentices that schools could do a better job of preparing students for and guiding them towards apprenticeships. Figure 11 shows that the majority of respondents think that their school could have done more to alert them to apprenticeship opportunities and to support them in securing their apprenticeship.

We note also the following comments from our business case studies:

- Chris Jackson, Head of Emerging Talent of Lloyds Banking Group, remarked that Lloyds Banking is keen for schools to: ‘develop real partnerships with employers to give students non-biased information to enable them to make an informed decision on their next step’.
- KPMG’s Alison Heron advocates schools creating ‘closer relationships with businesses and giving students better information on their options apart from going to university’.
- Richard Hamer of BAE argues that ‘schools can help by being supportive to opportunities to build closer links with local employers and offering work experience to their pupils. We find work experience critical to giving young people an understanding of engineering and what an apprenticeship offers.’
- Paul Latham, Live Nation, makes the point that ‘it would be helpful for students to understand the value of being an apprentice within a business, ensure that they are fully

Figure 11 **The proportion of UK apprentices agreeing with statements about their schools' influence in their decision to start an apprenticeship, December 2013**



Source: Demos survey

committed to the role and not just seeing it as a way of getting out of going to college'.

We contacted council representatives in all London boroughs to ask what support they provide to schools in relation to helping students access apprenticeship opportunities, and were struck at the wide variation in the extent of this sort of support that boroughs provide. Some respondents confirmed that they gave no such assistance in their schools. Others had extensive programmes of support. For example, Havering undertakes the following activities to improve understanding in schools of apprenticeships:

- It ran events called Raising Participation Age Transitions in January and October 2013, where all local post-16 education and training providers exhibited.
- It has an apprenticeships page on the borough's website, providing information about apprenticeships in general for young people and employers, with further links providing details about provision in the borough and neighbouring boroughs.
- As part of Apprenticeship Week 2013, the council hosted school staff professional development sessions on apprenticeships, making tool kits available for school teachers to deliver their own sessions on apprenticeship provision.
- The borough runs lunch-and-learn sessions in schools at lunch time on the school premises for school staff, to raise their awareness of apprenticeships and the local offer.

All local authorities consider taking similar steps. This would be encouraged by having transitions from school to apprenticeships factored into school assessments in some way.

### The role of employers

The representatives of employers have set out how they might be better encouraged to become more involved in apprenticeship programmes. For example, a survey by CBI and Pearson<sup>69</sup> showed that:

- 41 per cent wanted more relevant qualification programmes
- 39 per cent wanted to give firms greater purchasing power by routing the apprenticeship grant directly to employers
- 32 per cent wanted a reduction in bureaucracy

It is important that the Trailblazers programme, discussed earlier, succeeds in bringing in more relevant qualifications. Although the government has long committed to reducing levels of bureaucracy and should continue to do so, we see a role for trade bodies in minimising the burden that bureaucracy imposes on their member businesses (see below). While purchasing power is increasingly being routed through employers, this routing

might incentivise increased business investment in apprenticeships as far as possible through match funding arrangements.

This routing also may not be the right solution for SMEs – indeed, it may run contrary to the objective to reduce bureaucracy, with damaging consequences in smaller businesses without the human resources departments capable of absorbing this. As the Association of Employment and Learning Providers (AELP) has noted, in a number of surveys small businesses say they do not want to get involved in funding management systems because it is not their core business and they would look to out-source that activity.<sup>70</sup>

Irrespective of how funding is routed, employers have responsibilities to their apprentices. Ideally, they should all be engaging sufficiently with their apprentices to give them expansive apprenticeship experiences. At the least, they must pay their apprentices properly. The TUC last year called on the government to take urgent action after official figures revealed that three in ten (29 per cent) apprentices were paid less than the legal minimum wage in 2012. The Apprenticeship Pay Survey published in October 2013 by BIS showed that the number of apprentices paid below the correct minimum wage rate increased by 45 per cent in 2012. As much as the government should seek to improve enforcement of proper terms and conditions among apprentices, it bodes ill of the capacity of employers to engage fully with apprentices that this trend has been identified.

It has even been suggested in interviews undertaken for this project that privately large employers will concede that they are reluctant to start apprenticeship programmes as they fear becoming associated with the poor practices on apprenticeships used by firms in the same sector as them – such as not paying apprentices properly. It may be that a tighter statutory definition of what an apprenticeship is and what responsibilities this confers on employers, including pay, may overcome this problem – particularly, if combined with a legal prohibition on any business advertising an apprenticeship that falls short of these standards.

Another form of poor practice that undermines the reputation of apprenticeships and puts potential apprentices at risk of exploitation is companies advertising apprenticeships that

contain the exact same job description as advertised full-time positions in the same company, but for lower wages.

### The role of trade bodies

Trade bodies can help their members increase their number of apprentices. The CBI notes that pledges to cut bureaucracy around apprenticeships have yet to be felt by employers, with 93 per cent of them reporting no reduction in the amount of bureaucracy associated with apprenticeships.<sup>71</sup> While the government should fulfil these pledges, trade bodies can play a role in helping businesses deal with this bureaucracy. By establishing familiarity with the processes, trade bodies can assist their members in navigating the apprenticeship system. For example, UK Music, the umbrella trade body for the music industry, offers the following services to members:

- It supports them in hiring apprentices from start to finish and provides ongoing support.
- It assists them in choosing the type of apprenticeship that best suits the job role.
- It matches the firm with a training provider.
- It advertises apprenticeship vacancies.

Such services can be particularly important to SMEs that lack the capacity to get to grips with the apprenticeship system. Many fewer SMEs take on apprentices than larger businesses. If we wish to increase apprenticeship numbers, it will be important that SMEs play a greater role. Yet the CBI reports that despite recommendations in the Holt report aimed at making apprenticeships easier for smaller firms, the vast majority have not experienced any improvement in the apprenticeship system.<sup>72</sup>

Each type of training provider seeks to be distinctive in the offer it makes to employers, offering a range of discounts and incentives, with some providers having access to restricted funding sources (eg Youth Contract initiatives or European Social Fund). The picture that emerges for employers, invariably

hard pressed with their day-to-day operations, can be bewildering. The wide range of funding sources for apprenticeships and competition between training providers tend towards this confusing landscape for employers. This results in employers feeling that the Holt recommendation has not been acted on.

As diverse funding sources and the imperative for training providers to compete are unlikely to go away, there is a need to make employers' engagement with the apprenticeship system as painless and lacking in bureaucracy as possible. This is unlikely to be best achieved by the government in Whitehall. It requires local coordination of training offers through LEPs or local authorities, or sector-based coordination through trade bodies.

Trade bodies are well placed to support SMEs among their memberships. Once businesses have had one experience of hiring an apprentice, it is likely that the second time around will be easier and that the process will become progressively easier the more times the business completes it. The first time can be daunting, however. If trade bodies can help businesses through the challenges, the businesses should be better able to hire further apprentices in future than they otherwise would be.

### The need for local economic leadership

The mayor of London pledged to help create 100,000 apprenticeships in the capital by 2012 and delivered on this pledge. His responsibilities for transport and the LEP for London have allowed him to offer additional support to further grow apprenticeships in London, which have taken the following forms:

- During National Apprenticeship Week last year, the mayor announced that anyone in the first year of an apprenticeship will get 30 per cent off adult rate travelcards and bus & tram pass season tickets. The concession could save an apprentice up to £660 a year on the cost of an annual travel card and around 40,000 apprentices in London are eligible to benefit. While take-up has fallen short of this,<sup>73</sup> the mayor, as chair of Transport for London, was able to take this step to make it easier for Londoners to complete apprenticeships.

- In June 2013, the mayor allocated £1.5 million to help London-based SME businesses take on young people as apprentices. SMEs can now apply for a £3,000 incentive payment through the National Apprenticeship Service – nationally the incentive payment available to employers is £1,500. The funding boost helped to create a further 1,000 new places in London.

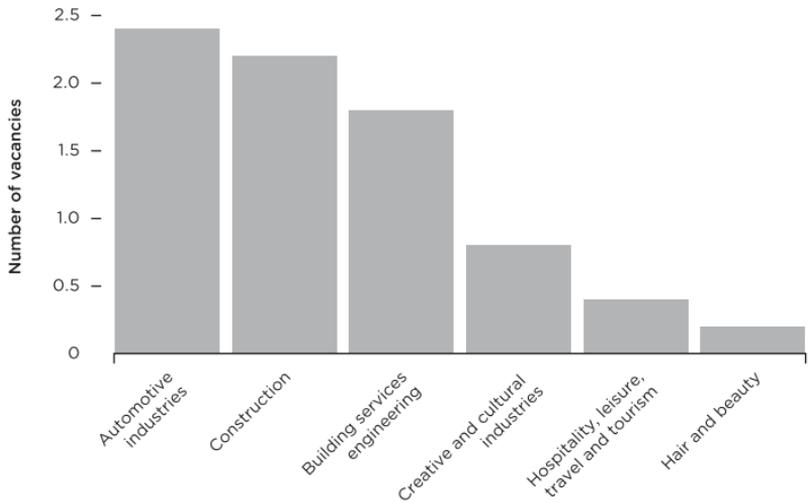
As a result of policy decisions by the mayor, the incentives to SMEs to take on apprentices and the support available to apprentices with transport costs are greater in London than in the rest of the country. While London had a lot of ground to make up on the rest of the country, these policy decisions are likely to have contributed to London achieving a faster rate of growth in apprenticeships than achieved elsewhere.

Most parts of England lack an equivalent to the mayor of London, someone with overarching responsibility for public services and economic development. Before the mayoral referendums in May 2012 in ten English cities outside London, the prime minister said he wanted a Boris Johnson running each of them. Most of these cities felt differently, however, and rejected the opportunity to have a directly elected mayor. Bristol was the one exception to this trend, while Leicester and Liverpool moved ahead with elected mayors without referendums.

In a report Michael Heseltine strongly supported the introduction of more elected mayors but this proposal was largely rejected by the time he reported to government on economic growth in October 2012.<sup>74</sup> The report stressed the importance of apprenticeships to growth and the importance of local leaders in improving apprenticeships. Heseltine noted there was a mismatch between vocational qualifications and vacancies. The number of vacancies per skills achievement in 2010/11 is shown in figure 12.

In 2010/11 97,910 FE and skills achievements were gained in hospitality, leisure, travel and tourism and only 16,800 in the automotive industries. It is clear that fewer skills than are needed are being gained in some sectors, such as the automotive industries, while more qualifications than vacancies are being picked up in other sectors.

Figure 12 **Number of vacancies per skills achievement in England, 2010/11**



Source: Heseltine, *No Stone Unturned*<sup>75</sup>

Heseltine argued that the mismatch between the skills generated by the skills system and the skills demanded by employers can be corrected by stronger local leadership on skills. He made the following recommendation to this end: the budget for vocational training for learners aged 19 and over and all funding currently set aside for apprenticeships for those aged 16 and over should be devolved to local areas through the single funding pot.<sup>76</sup> This calls into question the continuation of the Skills Funding Agency. Each LEP should incorporate skills needs within their local economic plans, driven by the needs of local employers and the practical experience of FE colleges.

The government responded to the Heseltine report,<sup>77</sup> stating that it would decide on this recommendation in the spending review, but made no mention of it in the spending review. The status of this recommendation is not clear now.

Local leadership on apprenticeships is vital. Procurement and planning conditions are two means for this leadership to

take form. For example, Birmingham City Council has developed a procurement framework for skills and jobs. This framework requires the council to consider the contractual relevance of clauses that stipulate a commitment to targeted recruitment and training initiatives, including apprenticeships, at every stage of the procurement process. The larger the value of the contract the more weight is given to the extent to which bidders are proposing to contribute towards these targets and initiatives.

It is sometimes argued that including such provisions in procurement contracts increases the cost of procurement and so goes against 'best value' in procurement. This claim can be challenged:

- The low wage and training costs of apprenticeships mean that including clauses regarding apprenticeships is unlikely to load significant additional costs onto business.
- Paying for the apprenticeship is not without business utility. Therefore, having business meet these costs creates an asset in the form of an engaged, motivated and well-trained employee.
- 'Best value' can be assessed as being static or dynamic. It might be thought of as the lowest bid in the financial cost, which would be static, but it might be assessed as the bid that generates most value for the borough at the lowest cost over the long term, which would be dynamic. Adopting a dynamic approach to best value factors in the benefit to the local authority of increasing the number of apprentices over the longer term, and the financial cost of the contract over the nearer term.

During research for this project, we also picked up the view that businesses that are taking on apprentices and in this way giving something back to the community resent losing public contracts to businesses that are not making this commitment. Including apprenticeship conditions in procurement contracts therefore holds potential winners of these contracts up to the standards on apprenticeships maintained by the best employers.

The need for councils to fulfil their responsibilities under the Social Value Act encourages them to include apprenticeship

conditions. For the first time, the act places a duty on public bodies to consider social value ahead of a procurement. Procurement clauses are one means for councils to demonstrate compliance with the act.

Planning conditions can also be used by councils in a similar way to procurement conditions. For example, Urban South Hampshire – Southampton, Portsmouth and Test Valley – has produced guidance on how Section 106 planning obligations can help secure employment and skills objectives for these councils. ‘Section 106’ agreements can include contributions to ensure that developments complement and benefit the local labour market and economy, by raising skills and enabling local people to compete for the jobs and/or apprenticeships generated.

The London Borough of Waltham Forest has tripled the number of job vacancies and training opportunities gained from Section 106 agreements. This is part of the council’s commitment to provide leadership to economic development in a relatively deprived part of London. The council now has 41 apprentices working for it – a nine-fold increase since 2012. Last year it hosted an apprenticeships fair, attracting 712 residents and 45 employers, generating 51 new jobs or apprenticeships to date.

### **The role of new training providers and qualifications**

New institutions – whether academies or free schools – have been a key part of the debate on schools for the past decade or so. They have been seen as key to driving innovation and improvement. New institutions in the context of FE have been less commonplace.

This may be changing. For example, the proposition Code College is put forward by Mark Smith, a 2003 Teach First ambassador. It is based on his and his colleagues’ insights into how technology is changing education, our economy and the needs of students. Code College would use the FE college model to offer students a viable alternative to sixth form and university. It would seek to be a beacon of excellence in the apprenticeships and skills that it delivers. For example, it might come to be an esteemed institution at which to complete the apprenticeship

qualification that comes to be attached to the occupational standards being developed by the digital industries Trailblazer. In so doing, it would link an excellent training institution with the skills that employers have indicated are required in a particular occupation. Developing the regard for these occupations and the UK's competence in them may be developed by having centres of excellence aligned to each of the occupational standards developed by Trailblazers.

Dissatisfaction with the quality of training provided by some FE colleges has resulted in some employers making considerable investment in training facilities as an alternative. In 2004 there was concern within British Gas about the quality of delivery by the FE colleges compared with that of British Gas' Engineering Academy. A range of data were collated and highlighted that academy trained trainees:

- obtained their NVQ at least three months sooner than those who trained at an FE college
- went live as productive service engineers at least three months sooner than those who trained at an FE college
- had 16 per cent higher productivity performance statistics (quality weighted) than those who trained at an FE college
- delivered an average of six times fewer safety defects per assessment under the business and safety assurance process at that time than apprentices who had trained at an FE college

These findings resulted in British Gas building new academies in Hamilton, Leicester, Thatcham and Dartford, which provided better geographical coverage for their field workforce, and a new green skills technology academy was built at Tredegar in Wales. At the same time, British Gas ceased using FE colleges.

While it is welcome that employers make the kind of investment in training demonstrated by these British Gas academies, investment on this scale is impossible for smaller employers. As smaller employers depend on FE colleges for training it is vital that they be as effective as they can be. Members of the Association of Colleges educate and train over

two million people aged 19 and over annually. They are in a position to make a significant difference to skills in the UK.

However, colleges cannot presently teach apprenticeships on entrepreneurship, being self-employed and working for yourself, as no such framework exists. The Apprenticeship Act 2011 requires all apprentices to be working under a contract of employment with an employer; therefore those who are self-employed are unable to undertake an apprenticeship. UnLtd, which provides support to social entrepreneurs in the UK, is calling for entrepreneurship (including social entrepreneurship) to be considered for alternative completion conditions and for government to support an apprenticeship framework for young people to be accredited for starting their own (social) ventures. Given the increasing importance of self-employment and social enterprise, and early exposure to entrepreneurship being a powerful predictor of entrepreneurial activity in adulthood, this is something that government should consider.



## 5 Conclusion

This report has investigated three questions:

- What is the role of apprenticeships in generating economic growth?
- Is the UK presently making the most of this role?
- How can available resources best be deployed to improve the UK's performance?

This conclusion summarises the answers suggested by the analysis presented in this report.

### The role of apprenticeships in generating economic growth

GDP is equal to employment multiplied by productivity, however:

- UK output per hour worked in 2012 was 24 percentage points below Germany and France and 29 percentage points below that of the US.
- In July to September 2013, 965,000 young people aged 16–24 were unemployed.

Low productivity and youth unemployment are two features of the British economy. By increasing the number of young people in employment and the productivity of workers, apprenticeships can tackle these problems and increase the growth rate of the economy.

Boston Consulting, on behalf of the Sutton Trust, has analysed the current situation in England and drawn on experiences in Germany, Switzerland, Singapore, Australia and

other international systems to recommend there should be 150,000–300,000 extra three-year apprenticeship starts each year for young people in England.<sup>78</sup>

Based on CEBR data on the productivity increase associated with apprenticeship completion, we calculate that fully implementing this Boston Consulting recommendation would generate additional contributions to GDP in the English regions of:

- £630 million in the South East
- £598 million in London
- £515 million in the North West
- £426 million in the East
- £409 million in the West Midlands
- £386 million in Yorkshire and the Humber
- £386 million in the South West
- £331 million in the East Midlands
- £190 million in the North East

When we were recovering from the 1990s recession, we expanded universities to meet our skill requirements. Today, apprenticeship graduates under 30 are less likely to be unemployed and more likely to be in supervisory roles at work than university graduates of the same age. Yet, there are many fewer apprenticeship graduates than there are university graduates in this age group. As important as universities are, it seems unlikely that a further significant expansion of universities is what we need to capitalise on today's economic recovery.

Instead, this recovery should be used to invest in apprenticeships, though making this investment requires reflection on where our apprenticeship system is currently falling short.

### **Making the most of the contribution that apprenticeships can make to economic growth**

There are a number of ways in which we are failing to make the most of the contribution to economic growth that apprenticeships can make:

- The total number of apprentices is low compared with other countries and other options, such as university.
- Apprenticeships are less prevalent in some economic sectors and geographic regions than others. For example, London and the creative industries lag behind other regions and sectors; although they have experienced rapid growth in recent years, this sector and geographic region seem a long way from fully realising their potential for apprenticeships.
- Tradition seems to continue to have a significant impact on apprenticeships. We continue to see the largest apprenticeship numbers in those regions with the strongest traditions of manufacturing and the apprenticeships that have characterised these sectors. The further we move from London, the more apprenticeships are undertaken. The North East of England, a traditionally strong manufacturing region, has the highest rate of apprenticeship per capita in England.
- Tradition remains a conditioning force for apprenticeships in a number of sectors – eg hairdressing, childcare – where the apprentices are heavily female, while in other sectors – industrial applications, construction – females are much less well represented as apprentices.
- There is a predominance of level 2 apprenticeships. Over 60 per cent of the growth in apprenticeships between 2002/03 and 2009/10 was at level 2. While these lower level apprenticeships can help people develop their careers, graduates of higher level apprenticeships are more productive and therefore make a greater economic contribution.
- The apprenticeship system instils a weaker sense of occupation than in other countries. One-third of apprenticeship frameworks in 2011/12 were in business administration. These generalist qualifications benefit many people. However, developing a stronger sense of occupation within the apprenticeship system may be necessary to ensure it consistently provides pathways to higher paid employment.
- The flipside of this weak sense of occupation is a limited specialisation of training. FE colleges are more generalist than universities. A stronger sense of occupation would be comple-

mented by more excellent training provision with a specialist rather than a general focus.

- Employer engagement in apprenticeships is limited compared with other countries. UK employers offer fewer apprenticeships than comparable economies and it seems unlikely that all apprenticeships that are offered are 'expansive'. Employers who are properly engaged, rather than largely motivated by taxpayer subsidy, would ensure that their apprenticeships are expansive.
- Success rates for apprentices from black or mixed ethnic backgrounds lag those for apprentices who are white or Asian.

### **Recommendations: increasing the contribution of apprenticeships to economic growth**

The government should:

- consider rerouting funding presently allocated to the Youth Contract to schemes characterised by communities of trust, such as the Creative Employment Programme
- reform the Ofsted assessment system for schools to give some weight to the number and quality of apprenticeship places secured by schools for their pupils – creating 'skin in the game' for schools in the careers of their pupils; this report presents strong evidence that schools fail to give adequate advice about apprenticeships and such 'skin the game' would incentivise schools to improve this
- amend funding allocations provided to FE colleges to place them on a three-year cycle, rather than the current annual cycle
- ensure that Trailblazer schemes deliver on their mission to establish occupational standards for apprenticeships, rather than having multiple, crossing-cutting standards for occupations that have some presence in a number of sectors
- encourage leading centres to develop their apprenticeship training excellence in each of the occupational standards developed by Trailblazers, whether through existing FE colleges or new training institutions
- review what incentives can be put in place to extend 'over-training' models

- tighten the statutory definition of what an apprenticeship is and what responsibilities employment of an apprentice confers on employers, including their pay
- support an apprenticeship framework for young people to be accredited for starting their own (social) ventures

#### Local authorities should:

- adopt planning and procurement policies that take account both of local economic conditions and the role that these levers can play in increasing local apprenticeship numbers
- develop structures – probably through the local LEP – within which FE colleges and other training providers can plan ahead to both meet the emerging skill requirements implied by the planning and procurement plans of these local authorities, as well as local businesses; three-year funding cycles should make FE colleges better able to plan ahead and respond to emerging skill requirements, while LEP structures should make FE colleges accountable to local businesses for the skills they deliver and thus, create ‘skin in the game’ for these colleges in the economic development of their localities
- support local schools in deepening relations with local businesses to provide improved careers advice and work experience opportunities

#### Businesses should:

- review their provision of apprenticeships, having regard to taking advantage of the economic recovery to invest in an increased number of apprenticeships and engage with their apprentices to ensure that their apprenticeship properly prepares them for their career
- pay apprentices properly – the number of apprentices paid below the correct minimum wage rate increased by 45 per cent in 2012 – and avoid using apprenticeships as a cheap substitute for full-time staff
- participate in Trailblazer schemes to develop robust occupational standards for apprenticeships; this participation should extend

## Conclusion

to encouraging the alignment of these occupational standards with those that have already been developed by relevant professional bodies and subsidising over five years membership of these bodies for their employees who graduate from apprenticeship schemes aligned to these occupational standards; this would strengthen the voice of technicians within professional bodies and give employees a means of career development beyond completion of their apprenticeship

- support their trade bodies in putting in place schemes to reduce the bureaucracy generated by apprenticeships, so making it easier for member businesses to increase the number of apprentices they hire; they should also encourage trade bodies to develop ‘over-training’ models, as these have the potential to improve training across sectors and not just within particular companies
- engage with LEPs, local authorities and FE colleges to ensure that the voice of business is heard in the future planning of local training providers
- provide work experience opportunities, particularly to women in sectors where there has been a historic underrepresentation of women, such as engineering

# Appendix

In December 2013 we ran a survey of apprentices using an online survey tool. We approached apprentices through their employers and by promoting the survey on social media. We received 120 replies from apprentices across the UK. They answered the following questions:

- Do think your school could have done more to alert you to apprenticeship opportunities?
- Did your school provide you with any support to secure your apprenticeship?
- How would you rate the support your school gave you in getting your apprenticeship?
- How satisfied are you with the training provided as part of your apprenticeship?
- Do you think your apprenticeship has set you up for a successful future career?
- Do you think your career progress will be better than if you had stayed in full-time college/university?



# Notes

- 1 B Obama, 'President Barack Obama's state of the union address', White House, 28 Jan 2014, [www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address](http://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address) (accessed 3 Feb 2014).
- 2 SP Chan, 'OBR: UK hurt more by lack of investment than austerity', *Telegraph*, 9 Oct 2013 [www.telegraph.co.uk/finance/economics/10367229/OBR-UK-hurt-more-by-lack-of-investment-than-austerity.html](http://www.telegraph.co.uk/finance/economics/10367229/OBR-UK-hurt-more-by-lack-of-investment-than-austerity.html) (accessed 10 Feb 2014).
- 3 According to a new study by Deloitte, approximately one-third of the world's largest non-financial companies on the S&P Global 1200 index is stockpiling most – 82 percent – of the \$2.8 trillion in the index's non-financial corporations' cash holdings. Those companies are hoarding equity at the highest levels seen since at least 2000. See A Sakoui, 'Huge cash pile puts recovery in the hands of the few', *Financial Times*, 21 Jan 2014, [www.ft.com/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdco.html#axzz2sQKeiEIx](http://www.ft.com/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdco.html#axzz2sQKeiEIx) (accessed 10 Feb 2014).
- 4 M Heseltine, *No Stone Unturned: In pursuit of growth*, Dept for Business, Innovation and Skills, 2012, [www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth](http://www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth) (accessed 3 Feb 2014).
- 5 London Skills and Employment Observatory, *Apprenticeships in London: Where do we go from here?*, Nov 2011.
- 6 S O'Connor, 'Data show yawning productivity gap between UK and G7 peers', *Financial Times*, 18 Sept 2013, <http://www.ft.com/cms/s/0/foeb7394-2043-11e3-9a9a-00144feab7de.html#axzz2tIPCEQfH> (accessed 14 Feb 2014).

- 7 CEBR, *Productivity Matters: The impact of apprenticeships on the UK economy*, Centre for Economic and Business Research, Mar 2013.
- 8 H Steedman, *The State of Apprenticeship in 2010*, Centre for Economic Performance, London School of Economics, Aug 2010, <http://cep.lse.ac.uk/pubs/pubs/download/special/cepsp22.pdf> (accessed 10 Feb 2014).
- 9 Boston Consulting, *Real Apprenticeships: Creating a revolution in English skills*, Boston Consulting for Sutton Trust, Oct 2013, [www.suttontrust.com/news/publications/real-apprenticeships/](http://www.suttontrust.com/news/publications/real-apprenticeships/) (accessed 10 Feb 2014).
- 10 A Sakoui, 'Huge cash pile puts recovery in the hands of the few', *Financial Times*, 21 Jan 2014, [www.ft.com/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdco.html#axzz2sQKeiEIx](http://www.ft.com/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdco.html#axzz2sQKeiEIx) (accessed 10 Feb 2014).
- 11 ICM Research telephone survey for the National Apprenticeships Agency. See Apprenticeships, 'More than half of young people put apprenticeships as "first choice"', 16 Aug 2013, [www.apprenticeships.org.uk/news-media/latest-news/article353.aspx](http://www.apprenticeships.org.uk/news-media/latest-news/article353.aspx) (accessed 10 Feb 2014).
- 12 A Adonis, 'Adonis Growth Review', 11 Jul 2013, <http://andrewadonis.com/2013/07/11/adonis-growth-review/> (accessed 10 Feb 2014).
- 13 R Halfon, 'New policies for popular conservatism 3: apprenticeships', Conservative Home, 16 Oct 2013, [www.conservativehome.com/majority\\_conservatism/2013/10/from-halfon4harlowmp-new-policies-for-popular-conservatism-3-apprenticeships.html](http://www.conservativehome.com/majority_conservatism/2013/10/from-halfon4harlowmp-new-policies-for-popular-conservatism-3-apprenticeships.html) (accessed 10 Feb 2014).
- 14 L Yueh, 'Uncertainty and the business of growth', BBC News, 25 Oct 2013, [www.bbc.co.uk/news/business-24666509](http://www.bbc.co.uk/news/business-24666509) (accessed 3 Feb 2014).

- 15 Quoted in M Riddell, ‘Tristram Hunt: “White British boys are not getting the education they want”’, *Telegraph*, 28 Dec 2013, [www.telegraph.co.uk/education/10539284/Tristram-Hunt-White-British-boys-are-not-getting-the-education-they-want.html](http://www.telegraph.co.uk/education/10539284/Tristram-Hunt-White-British-boys-are-not-getting-the-education-they-want.html) (accessed 3 Feb 2014).
- 16 ONS, ‘Graduates in the labour market, 2013’, press release, Office for National Statistics, 19 Nov 2013, [www.ons.gov.uk/ons/rel/lmac/graduates-in-the-labour-market/2013/index.html](http://www.ons.gov.uk/ons/rel/lmac/graduates-in-the-labour-market/2013/index.html) (accessed 10 Feb 2014).
- 17 F Field, ‘Graduates earning less than those on apprenticeships’, 17 Jan 2014, [www.frankfield.com/latest-news/news.aspx?p=102606](http://www.frankfield.com/latest-news/news.aspx?p=102606)(accessed 10 Feb 2014).
- 18 N Collins, ‘University degree ‘worth less than apprenticeships’’, *Telegraph*, 8 Apr 2013, [www.telegraph.co.uk/education/educationnews/9977310/University-degree-worth-less-than-some-apprenticeships.html](http://www.telegraph.co.uk/education/educationnews/9977310/University-degree-worth-less-than-some-apprenticeships.html) (accessed 10 Feb 2014).
- 19 S Leitch, *Prosperity for All in a Global Economy: World class skills*, Dec 2006, [www.delni.gov.uk/leitch\\_finalreport051206%5B1%5D-2.pdf](http://www.delni.gov.uk/leitch_finalreport051206%5B1%5D-2.pdf) (accessed 10 Feb 2014).
- 20 UK productivity per hour worked also fell by two percentage points between 2012 and 2011, which contrasts with an average rise of one percentage point across other G7 nations.
- 21 ICM Research telephone survey for the National Apprenticeships Agency. See Apprenticeships, ‘More than half of young people put apprenticeships as “first choice”’, 16 Aug 2013, [www.apprenticeships.org.uk/news-media/latest-news/article353.aspx](http://www.apprenticeships.org.uk/news-media/latest-news/article353.aspx) (accessed 10 Feb 2014).
- 22 Chan, ‘OBR’.
- 23 ONS, *Economic Review*, Nov 2013.

- 24 S Lansley and H Reed, *How to Boost the Wage Share*, Trades Union Confederation, 2013.
- 25 W Bain, 'A One Nation Labour industrial policy can give a lasting boost to living standards', Fabian Society, 2013.
- 26 'Labour productivity growth in the total economy', OECD, nd, <http://stats.oecd.org/Index.aspx?DataSetCode=PDYGTH> (accessed 10 Feb 2014). Rates of change over periods are calculated using the compound rate method:  $[(\text{GDP per hour worked } t+k / \text{GDP per hour worked } t)]^{(1/k)} - 1$ , where  $\%$  is the growth rate per period,  $t$  and  $t+k$  are two points in time and  $k$  is the number of years.
- 27 L Elliott, 'Productivity gap between UK and other G7 nations widens to largest in 20 years', *Guardian*, 18 Sep 2013, [www.theguardian.com/business/2013/sep/18/productivity-gap-uk-g7-output](http://www.theguardian.com/business/2013/sep/18/productivity-gap-uk-g7-output) (accessed 10 Feb 2014).
- 28 CEBR, *Productivity Matters: The impact of apprenticeships on the UK economy*, Centre for Economic and Business Research, Mar 2013.
- 29 London Skills and Employment Observatory, *Apprenticeships in London*.
- 30 S Evans and G Bosch, *Apprenticeships in London: Boosting Skills in a City Economy – with Comment on Lessons from Germany*, 2012, [www.oecd-ilibrary.org/content/workingpaper/5k9b9mjcxp35-en](http://www.oecd-ilibrary.org/content/workingpaper/5k9b9mjcxp35-en) (accessed 10 Feb 2014).
- 31 H Steedman, *The State of Apprenticeship in 2010*, Centre for Economic Performance, London School of Economics, Aug 2010, <http://cep.lse.ac.uk/pubs/download/special/cepsp22.pdf> (accessed 10 Feb 2014).
- 32 House of Lords Select Committee on Economic Affairs, *Apprenticeship: A Key Route to Skill*, 2007, HL Paper 138, [www.publications.parliament.uk/pa/ld200607/ldselect/ldeconaf/138/138.pdf](http://www.publications.parliament.uk/pa/ld200607/ldselect/ldeconaf/138/138.pdf) (accessed 10 Feb 2014).

- 33 CBI, *Tomorrow's Growth: New routes to higher skills*, Confederation of British Industry, 2013.
- 34 C Dustmann and U Schönberg, 'What makes firm-based vocational training schemes successful? the role of commitment', *American Economic Journal: Applied Economics* 4 no 2, 2012, 36–61.
- 35 Ibid.
- 36 ND Schwartz, 'Where factory apprenticeship is latest model from Germany', *New York Times*, 30 Nov 2013, [www.nytimes.com/2013/12/01/business/where-factory-apprenticeship-is-latest-model-from-germany.html?\\_r=0](http://www.nytimes.com/2013/12/01/business/where-factory-apprenticeship-is-latest-model-from-germany.html?_r=0) (accessed 10 Feb 2014).
- 37 Obama, 'President Barack Obama's state of the union address'.
- 38 B Olinsky and S Ayres, *Training for Success: A policy to expand apprenticeships in the United States*, Center for American Progress, Nov 2013.
- 39 Research for the Sutton Trust by Boston Consulting, *Real Apprenticeships: Creating a revolution in English skills*, Oct 2013.
- 40 This discussion on incentives draws on a presentation given by Professor Ewart Keep, 'The incentives to learn: time to reconceptualise, recontextualise and integrate?', available from his website: [www.cardiff.ac.uk/socsi/contactsandpeople/academicstaff/I-L/professor-ewart-keep.html](http://www.cardiff.ac.uk/socsi/contactsandpeople/academicstaff/I-L/professor-ewart-keep.html) (accessed 10 Feb 2014).
- 41 Dustmann and Schönberg, 'What makes firm-based vocational training schemes successful?'
- 42 C Husbands (chair), 'A revolution in apprenticeships: a something-for-something deal with employers: the Husbands review of vocational education and training', Labour's Policy Review, 2013, <http://feweek.co.uk/wp-content/uploads/2013/09/something-for-something.pdf> (accessed 10 Feb 2014).

- 43 A Fuller and L Unwin, *Apprenticeship and the Concept of Occupation*, Gatsby Charitable Foundation, Oct 2013, [www.gatsby.org.uk/~media/Files/Education/Apprenticeship%20and%20the%20Concept%20of%20Occupation.ashx](http://www.gatsby.org.uk/~media/Files/Education/Apprenticeship%20and%20the%20Concept%20of%20Occupation.ashx) (accessed 3 Feb 2014).
- 44 Ibid.
- 45 E Keep, 'Taking the next big step: fresh approaches to aligning skills, economic strategies and economic development in England, Wales and Scotland', presentation, 2008. See [www.cardiff.ac.uk/socsi/contactsandpeople/academicstaff/I-L/professor-ewart-keep.html](http://www.cardiff.ac.uk/socsi/contactsandpeople/academicstaff/I-L/professor-ewart-keep.html) (accessed 10 Feb 2014).
- 46 SFA and BIS data available at The Data Service, 'Apprenticeships', nd, [www.thedataservice.org.uk/Statistics/fe\\_data\\_library/Apprenticeships/](http://www.thedataservice.org.uk/Statistics/fe_data_library/Apprenticeships/) (accessed 14 Feb 2014).
- 47 GLA, 'Mayor boosts apprenticeships drive with £1.5m fund for small and medium sized businesses, Greater London Authority, 13 Jun 2013, [www.london.gov.uk/media/mayor-press-releases/2013/06/mayor-boosts-apprenticeships-drive-with-15m-fund-for-small-and](http://www.london.gov.uk/media/mayor-press-releases/2013/06/mayor-boosts-apprenticeships-drive-with-15m-fund-for-small-and) (accessed 10 Feb 2014).
- 48 SFA and BIS data available at The Data Service, 'Apprenticeships'.
- 49 Ibid.
- 50 Ibid.
- 51 D Sainsbury, *Progressive Capitalism: How to achieve economic growth, liberty and social justice*, Biteback, 2013.
- 52 157 Group, *Our Manifesto for Further Education and Skills*, Oct 2013.
- 53 Boston Consulting, *Real Apprenticeships*.

- 54 CEBR, *Productivity Matters*.
- 55 These calculations assume the composition of GDP remains constant and distributes returns to region on an equivalent basis to their populations.
- 56 DCMS, *Creative Industries Economic Estimates*, Jan 2014.
- 57 SFA and BIS data available at The Data Service, 'Apprenticeships'.
- 58 SFA and BIS data available at The Data Service, 'Apprenticeships'.
- 59 B Newton and J Williams, *Underrepresentation by Race and Gender in Apprenticeships*, Unionlearn, Dec 2013, [www.tuc.org.uk/sites/default/files/UnderRepresentationInApprenticeships.pdf](http://www.tuc.org.uk/sites/default/files/UnderRepresentationInApprenticeships.pdf) (accessed 3 Feb 2014).
- 60 Ibid.
- 61 SFA and BIS data available at The Data Service, 'Apprenticeships'.
- 62 D Goodhart, 'Unions are doing a bad job for Britain', *Prospect*, Jun 2013.
- 63 D Richard, *The Richard Review of Apprenticeships*, Nov 2012, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34708/richard-review-full.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34708/richard-review-full.pdf) (accessed 10 Feb 2014).
- 64 Boston Consulting, *Real Apprenticeships*.
- 65 Fuller and Unwin, *Apprenticeship and the Concept of Occupation*.

- 66 This might be linked to Matthew Taylor's proposals for accreditation for 'good employers': 'An alliance could be forged between progressive employers, modern trade unions and employee engagement organisations. This alliance's goal would be to define and promulgate a framework of basic provisions that would enable organisations to receive the designation of "Good Employer".' See M Taylor, 'Getting engaged', *RSA Journal* 4, 2013.
- 67 P Lewis, *The Over-Training of Apprentices by Large Employers in Advanced Manufacturing in the UK*, Gatsby Foundation, 2013.
- 68 RSA, *The Further Education Sector and Skills Sector in 2020: A social productivity approach*, 2011.
- 69 CBI and Pearson, 'Education and Skills Survey 2013', [www.cbi.org.uk/business-issues/education-and-skills/education-and-skills-survey/cbi-pearson-education-and-skills-survey-2013/](http://www.cbi.org.uk/business-issues/education-and-skills/education-and-skills-survey/cbi-pearson-education-and-skills-survey-2013/) (accessed 10 Feb 2014).
- 70 AELP, *Apprenticeship Implementation Plan: AELP's recommendation to the establishment of new Apprenticeship Standards*, Association of Employment and Learning Providers, Dec 2013.
- 71 CBI and Pearson, 'Education and Skills Survey 2013'.
- 72 Ibid.
- 73 Fewer than 4,000 apprentices have taken up this offer, which suggests it should be better promoted.
- 74 Heseltine, *No Stone Unturned*.
- 75 Ibid.
- 76 Ibid.

- 77 HM Treasury and Dept for Business, Innovation & Skills, *Government's Response to the Heseltine Review*, Cm 8587, 2013, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/221902/PU1465\\_Govt\\_response\\_to\\_Heseltine\\_review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221902/PU1465_Govt_response_to_Heseltine_review.pdf) (accessed 10 Feb 2014).
- 78 Boston Consulting, *Real Apprenticeships*.



# References

157 Group, *Our Manifesto for Further Education and Skills*, Oct 2013.

Adonis A, 'Adonis Growth Review', 11 Jul 2013, <http://andrewadonis.com/2013/07/11/adonis-growth-review/> (accessed 10 Feb 2014).

AELP, *Apprenticeship Implementation Plan: AELP's recommendation to the establishment of new Apprenticeship Standards*, Association of Employment and Learning Providers, Dec 2013.

Apprenticeships, 'More than half of young people put apprenticeships as "first choice"', 16 Aug 2013, [www.apprenticeships.org.uk/news-media/latest-news/article353.aspx](http://www.apprenticeships.org.uk/news-media/latest-news/article353.aspx) (accessed 10 Feb 2014).

Bain W, 'A One Nation Labour industrial policy can give a lasting boost to living standards', Fabian Society, 2013.

Boston Consulting, *Real Apprenticeships: Creating a revolution in English skills*, Boston Consulting for Sutton Trust, Oct 2013, [www.suttontrust.com/news/publications/real-apprenticeships/](http://www.suttontrust.com/news/publications/real-apprenticeships/) (accessed 10 Feb 2014).

CBI, *Tomorrow's Growth: New routes to higher skills*, Confederation of British Industry, 2013.

CBI and Pearson, 'Education and Skills Survey 2013', [www.cbi.org.uk/business-issues/education-and-skills/education-and-skills-survey/cbi-pearson-education-and-skills-survey-2013/](http://www.cbi.org.uk/business-issues/education-and-skills/education-and-skills-survey/cbi-pearson-education-and-skills-survey-2013/) (accessed 10 Feb 2014).

CEBR, *Productivity Matters: The impact of apprenticeships on the UK economy*, Centre for Economic and Business Research, Mar 2013.

Chan SP, 'OBR: UK hurt more by lack of investment than austerity', *Telegraph*, 9 Oct 2013 [www.telegraph.co.uk/finance/economics/10367229/OBR-UK-hurt-more-by-lack-of-investment-than-austerity.html](http://www.telegraph.co.uk/finance/economics/10367229/OBR-UK-hurt-more-by-lack-of-investment-than-austerity.html) (accessed 10 Feb 2014).

Collins N, 'University degree 'worth less than apprenticeships'', *Telegraph*, 8 Apr 2013, [www.telegraph.co.uk/education/educationnews/9977310/University-degree-worth-less-than-some-apprenticeships.html](http://www.telegraph.co.uk/education/educationnews/9977310/University-degree-worth-less-than-some-apprenticeships.html) (accessed 10 Feb 2014).

DCMS, *Creative Industries Economic Estimates*, Jan 2014.

Dustmann C and Schönberg U, 'What makes firm-based vocational training schemes successful? the role of commitment', *American Economic Journal: Applied Economics* 4 no 2, 2012, 36–61.

Elliott L, 'Productivity gap between UK and other G7 nations widens to largest in 20 years', *Guardian*, 18 Sep 2013, [www.theguardian.com/business/2013/sep/18/productivity-gap-uk-g7-output](http://www.theguardian.com/business/2013/sep/18/productivity-gap-uk-g7-output) (accessed 10 Feb 2014).

Evans S and Bosch G, *Apprenticeships in London: Boosting Skills in a City Economy – with Comment on Lessons from Germany*, 2012, [www.oecd-ilibrary.org/content/workingpaper/5k9b9mjcxp35-en](http://www.oecd-ilibrary.org/content/workingpaper/5k9b9mjcxp35-en) (accessed 10 Feb 2014).

Field F, 'Graduates earning less than those on apprenticeships', 17 Jan 2014, [www.frankfield.com/latest-news/news.aspx?p=102606](http://www.frankfield.com/latest-news/news.aspx?p=102606) (accessed 10 Feb 2014).

Fuller A and Unwin L, *Apprenticeship and the Concept of Occupation*, Gatsby Charitable Foundation, Oct 2013, [www.gatsby.org.uk/~media/Files/Education/Apprenticeship%20and%20the%20Concept%20of%20Occupation.ashx](http://www.gatsby.org.uk/~media/Files/Education/Apprenticeship%20and%20the%20Concept%20of%20Occupation.ashx) (accessed 3 Feb 2014).

GLA, 'Mayor boosts apprenticeships drive with £1.5m fund for small and medium sized businesses, Greater London Authority, 13 Jun 2013, [www.london.gov.uk/media/mayor-press-releases/2013/06/mayor-boosts-apprenticeships-drive-with-15m-fund-for-small-and](http://www.london.gov.uk/media/mayor-press-releases/2013/06/mayor-boosts-apprenticeships-drive-with-15m-fund-for-small-and) (accessed 10 Feb 2014).

Goodhart D, 'Unions are doing a bad job for Britain', *Prospect*, Jun 2013.

Halfon R, 'New policies for popular conservatism 3: apprenticeships', Conservative Home, 16 Oct 2013, [www.conservativehome.com/majority\\_conservatism/2013/10/from-halfon4harlowmp-new-policies-for-popular-conservatism-3-apprenticeships.html](http://www.conservativehome.com/majority_conservatism/2013/10/from-halfon4harlowmp-new-policies-for-popular-conservatism-3-apprenticeships.html) (accessed 10 Feb 2014).

Heseltine M, *No Stone Unturned: In pursuit of growth*, Dept for Business, Innovation and Skills, 2012, [www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth](http://www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth) (accessed 3 Feb 2014).

HM Treasury and Dept for Business, Innovation & Skills, *Government's Response to the Heseltine Review*, Cm 8587, 2013, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/221902/PU1465\\_Govt\\_response\\_to\\_Heseltine\\_review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221902/PU1465_Govt_response_to_Heseltine_review.pdf) (accessed 10 Feb 2014).

House of Lords Select Committee on Economic Affairs, *Apprenticeship: A Key Route to Skill*, 2007, HL Paper 138, [www.publications.parliament.uk/pa/ld200607/ldselect/ldeconaf/138/138.pdf](http://www.publications.parliament.uk/pa/ld200607/ldselect/ldeconaf/138/138.pdf) (accessed 10 Feb 2014).

Husbands C (chair), 'A revolution in apprenticeships: a something-for-something deal with employers: the Husbands review of vocational education and training', Labour's Policy Review, 2013, <http://feweek.co.uk/wp-content/uploads/2013/09/something-for-something.pdf> (accessed 10 Feb 2014).

Lansley S and Reed H, *How to Boost the Wage Share*, Trades Union Confederation, 2013.

Leitch S, *Prosperity for All in a Global Economy: World class skills*, Dec 2006, [www.delni.gov.uk/leitch\\_finalreport051206%5B1%5D-2.pdf](http://www.delni.gov.uk/leitch_finalreport051206%5B1%5D-2.pdf) (accessed 10 Feb 2014).

Lewis P, *The Over-Training of Apprentices by Large Employers in Advanced Manufacturing in the UK*, Gatsby Foundation, 2013.

London Skills and Employment Observatory, *Apprenticeships in London: Where do we go from here?*, Nov 2011.

Newton B and Williams J, *Underrepresentation by Race and Gender in Apprenticeships*, Unionlearn, Dec 2013, [www.tuc.org.uk/sites/default/files/UnderRepresentationInApprenticeships.pdf](http://www.tuc.org.uk/sites/default/files/UnderRepresentationInApprenticeships.pdf) (accessed 3 Feb 2014).

Obama B, 'President Barack Obama's state of the union address', White House, 28 Jan 2014, [www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address](http://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address) (accessed 3 Feb 2014).

O'Connor S, 'Data show yawning productivity gap between UK and G7 peers', *Financial Times*, 18 Sept 2013, <http://www.ft.com/cms/s/0/foeb7394-2043-11e3-9a9a-00144feab7de.html#axzz2tIPCEQfH> (accessed 14 Feb 2014).

OECD, 'Labour productivity growth in the total economy', Organisation for Economic Co-operation and Development, nd, <http://stats.oecd.org/Index.aspx?DataSetCode=PDYGTH> (accessed 10 Feb 2014).

Olinsky B and Ayres S, *Training for Success: A policy to expand apprenticeships in the United States*, Center for American Progress, Nov 2013.

ONS, *Economic Review*, Nov 2013.

ONS, 'Graduates in the labour market, 2013', press release, Office for National Statistics, 19 Nov 2013, [www.ons.gov.uk/ons/rel/lmac/graduates-in-the-labour-market/2013/index.html](http://www.ons.gov.uk/ons/rel/lmac/graduates-in-the-labour-market/2013/index.html) (accessed 10 Feb 2014).

Richard D, *The Richard Review of Apprenticeships*, Nov 2012, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34708/richard-review-full.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34708/richard-review-full.pdf) (accessed 10 Feb 2014).

Riddell M, 'Tristram Hunt: "White British boys are not getting the education they want"', *Telegraph*, 28 Dec 2013, [www.telegraph.co.uk/education/10539284/Tristram-Hunt-White-British-boys-are-not-getting-the-education-they-want.html](http://www.telegraph.co.uk/education/10539284/Tristram-Hunt-White-British-boys-are-not-getting-the-education-they-want.html) (accessed 3 Feb 2014).

RSA, *The Further Education Sector and Skills Sector in 2020: A social productivity approach*, 2011.

Sainsbury D, *Progressive Capitalism: How to achieve economic growth, liberty and social justice*, Biteback, 2013.

Sakoui A, 'Huge cash pile puts recovery in the hands of the few', *Financial Times*, 21 Jan 2014, [www.ft.com/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdco.html#axzz2sQKeiEIx](http://www.ft.com/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdco.html#axzz2sQKeiEIx) (accessed 10 Feb 2014).

Schwartz ND, 'Where factory apprenticeship is latest model from Germany', *New York Times*, 30 Nov 2013, [www.nytimes.com/2013/12/01/business/where-factory-apprenticeship-is-latest-model-from-germany.html?\\_r=0](http://www.nytimes.com/2013/12/01/business/where-factory-apprenticeship-is-latest-model-from-germany.html?_r=0) (accessed 10 Feb 2014).

Steedman H, *The State of Apprenticeship in 2010*, Centre for Economic Performance, London School of Economics, Aug 2010, <http://cep.lse.ac.uk/pubs/download/special/cepssp22.pdf> (accessed 10 Feb 2014).

Taylor M, 'Getting engaged', *RSA Journal* 4, 2013.

## References

Yueh L, 'Uncertainty and the business of growth', BBC News, 25 Oct 2013, [www.bbc.co.uk/news/business-24666509](http://www.bbc.co.uk/news/business-24666509) (accessed 3 Feb 2014).



## Demos - Licence to Publish

The work (as defined below) is provided under the terms of this licence ('licence'). The work is protected by copyright and/or other applicable law. Any use of the work other than as authorised under this licence is prohibited. By exercising any rights to the work provided here, you accept and agree to be bound by the terms of this licence. Demos grants you the rights contained here in consideration of your acceptance of such terms and conditions.

### 1 Definitions

- A **'Collective Work'** means a work, such as a periodical issue, anthology or encyclopedia, in which the Work in its entirety in unmodified form, along with a number of other contributions, constituting separate and independent works in themselves, are assembled into a collective whole. A work that constitutes a Collective Work will not be considered a Derivative Work (as defined below) for the purposes of this Licence.
- B **'Derivative Work'** means a work based upon the Work or upon the Work and other pre-existing works, such as a musical arrangement, dramatisation, fictionalisation, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which the Work may be recast, transformed, or adapted, except that a work that constitutes a Collective Work or a translation from English into another language will not be considered a Derivative Work for the purpose of this Licence.
- C **'Licensor'** means the individual or entity that offers the Work under the terms of this Licence.
- D **'Original Author'** means the individual or entity who created the Work.
- E **'Work'** means the copyrightable work of authorship offered under the terms of this Licence.
- F **'You'** means an individual or entity exercising rights under this Licence who has not previously violated the terms of this Licence with respect to the Work, or who has received express permission from Demos to exercise rights under this Licence despite a previous violation.

### 2 Fair Use Rights

Nothing in this licence is intended to reduce, limit, or restrict any rights arising from fair use, first sale or other limitations on the exclusive rights of the copyright owner under copyright law or other applicable laws.

### 3 Licence Grant

Subject to the terms and conditions of this Licence, Licensor hereby grants You a worldwide, royalty-free, non-exclusive, perpetual (for the duration of the applicable copyright) licence to exercise the rights in the Work as stated below:

- A to reproduce the Work, to incorporate the Work into one or more Collective Works, and to reproduce the Work as incorporated in the Collective Works;
- B to distribute copies or phonorecords of, display publicly, perform publicly, and perform publicly by means of a digital audio transmission the Work including as incorporated in Collective Works; The above rights may be exercised in all media and formats whether now known or hereafter devised. The above rights include the right to make such modifications as are technically necessary to exercise the rights in other media and formats. All rights not expressly granted by Licensor are hereby reserved.

### 4 Restrictions

The licence granted in Section 3 above is expressly made subject to and limited by the following restrictions:

- A You may distribute, publicly display, publicly perform, or publicly digitally perform the Work only under the terms of this Licence, and You must include a copy of, or the Uniform Resource Identifier for, this Licence with every copy or phonorecord of the Work You distribute, publicly display, publicly perform, or publicly digitally perform. You may not offer or impose any terms on the Work that alter or restrict the terms of this Licence or the recipients' exercise of the rights granted here under. You may not sublicense the Work. You must keep intact all notices that refer to this Licence and to the disclaimer of warranties. You may not distribute, publicly display, publicly perform, or publicly digitally perform the Work with any technological measures that control access or use of the Work in a manner inconsistent with the terms of this Licence Agreement. The above applies to the Work as incorporated in a Collective Work, but this does not require the Collective Work apart from the Work itself to be made subject to the terms of this Licence. If You create a Collective Work, upon notice from any Licensor You must, to the extent practicable, remove from the Collective Work any reference to such Licensor or the Original Author, as requested.
- B You may not exercise any of the rights granted to You in Section 3 above in any manner that is primarily intended for or directed towards commercial advantage or private monetary

compensation. The exchange of the Work for other copyrighted works by means of digital filesharing or otherwise shall not be considered to be intended for or directed towards commercial advantage or private monetary compensation, provided there is no payment of any monetary compensation in connection with the exchange of copyrighted works.

- c If you distribute, publicly display, publicly perform, or publicly digitally perform the Work or any Collective Works, You must keep intact all copyright notices for the Work and give the Original Author credit reasonable to the medium or means You are utilising by conveying the name (or pseudonym if applicable) of the Original Author if supplied; the title of the Work if supplied. Such credit may be implemented in any reasonable manner; provided, however, that in the case of a Collective Work, at a minimum such credit will appear where any other comparable authorship credit appears and in a manner at least as prominent as such other comparable authorship credit.

## 5 Representations, Warranties and Disclaimer

- A By offering the Work for public release under this Licence, Licensor represents and warrants that, to the best of Licensor's knowledge after reasonable inquiry:
  - i Licensor has secured all rights in the Work necessary to grant the licence rights hereunder and to permit the lawful exercise of the rights granted hereunder without You having any obligation to pay any royalties, compulsory licence fees, residuals or any other payments;
  - ii The Work does not infringe the copyright, trademark, publicity rights, common law rights or any other right of any third party or constitute defamation, invasion of privacy or other tortious injury to any third party.
- B except as expressly stated in this licence or otherwise agreed in writing or required by applicable law, the work is licenced on an 'as is' basis, without warranties of any kind, either express or implied including, without limitation, any warranties regarding the contents or accuracy of the work.

## 6 Limitation on Liability

Except to the extent required by applicable law, and except for damages arising from liability to a third party resulting from breach of the warranties in section 5, in no event will Licensor be liable to you on any legal theory for any special, incidental, consequential, punitive or exemplary damages arising out of this licence or the use of the work; even if Licensor has been advised of the possibility of such damages.

## 7 Termination

- A This Licence and the rights granted hereunder will terminate automatically upon any breach by You of the terms of this Licence. Individuals or entities who have received Collective Works from You under this Licence, however, will not have their licences terminated provided such individuals or entities remain in full compliance with those licences. Sections 1, 2, 5, 6, 7, and 8 will survive any termination of this Licence.
- B Subject to the above terms and conditions, the licence granted here is perpetual (for the duration of the applicable copyright in the Work). Notwithstanding the above, Licensor reserves the right to release the Work under different licence terms or to stop distributing the Work at any time; provided, however that any such election will not serve to withdraw this Licence (or any other licence that has been, or is required to be, granted under the terms of this Licence), and this Licence will continue in full force and effect unless terminated as stated above.

## 8 Miscellaneous

- A Each time You distribute or publicly digitally perform the Work or a Collective Work, Demos offers to the recipient a licence to the Work on the same terms and conditions as the licence granted to You under this Licence.
- B If any provision of this Licence is invalid or unenforceable under applicable law, it shall not affect the validity or enforceability of the remainder of the terms of this Licence, and without further action by the parties to this agreement, such provision shall be reformed to the minimum extent necessary to make such provision valid and enforceable.
- C No term or provision of this Licence shall be deemed waived and no breach consented to unless such waiver or consent shall be in writing and signed by the party to be charged with such waiver or consent.
- D This Licence constitutes the entire agreement between the parties with respect to the Work licenced here. There are no understandings, agreements or representations with respect to the Work not specified here. Licensor shall not be bound by any additional provisions that may appear in any communication from You. This Licence may not be modified without the mutual written agreement of Demos and You.



This project was supported by:



Following a lengthy recession, the UK economy is now growing steadily. But a return to growth supported chiefly by debt-fuelled consumer spending has led to the question: what is this recovery for? Despite the good economic news, the UK still has stubbornly high levels of youth unemployment and is losing the ‘global race’ in labour productivity, bringing up the rear among comparable developed economies.

This report recommends radically boosting apprenticeship numbers as the solution to these three ills. It suggests that businesses draw on their reserves to invest in their human capital, thereby helping young people into work and increasing their own and the country as a whole’s productivity. It calculates that if the UK were to skill up its population to match its leading competitors, it could add an extra £4bn to GDP. It also provides a detailed picture of the state of apprenticeships in the UK, including the sectoral, regional and gender breakdown.

*Up to the Job* makes recommendations that work with the grain of business thinking, in the context of a period of fiscal consolidation. It advises a shake-up of the Youth Contract, instead suggesting the Government route funding through bodies that employers are familiar with and trust. It also recommends that schools are held accountable for the future employability of their pupils. Overall, it envisions a sustained recovery towards a more productive economy, supported by a step change in apprenticeships.

Jonathan Todd is the Chief Economist at Demos.

ISBN 978-1-909037-55-7 £10

© Demos 2014

