



To: The Committee for Organisation, Recruitment & Education

2016/

Dear Colleague

Prospect engagement with Apprenticeships

The purpose of this paper is to:

- Put into context the opportunity and relevance for Prospect to engage strategically with Apprenticeships across the UK.
- Invite comment and potential Prospect action and activities to recruit and engage apprentices in the work and voice of the Union.

Why now?

In October 2015, Prospect's NEC endorsed the Union's Life Long Learning strategy. This strategy commits the union to ensuring its members has access to the careers and personal development opportunities "to develop their own educational, career and personal potential in order to better support their involvement with the union, their career and society".

The paper proposed that the union effort and resource should be prioritised "in order to positively raise Prospect's workplace profile, thereby also supporting recruitment, retention and organisation. Prioritisation includes "recruitment of technical and higher level apprentices in Prospect areas and non-traditional disciplines such as HR, admin management and IT".

Prospect's decision to prioritise apprenticeships is based upon a backdrop of growing evidence of the lack of appropriate skills across many sectors; an ageing population, and critically, governmental policy and changing organisational behaviour which seeks to meet critical skills gaps, boost productivity and drive economic recovery.

Evidence of, albeit slow, but growing sea change in political, economic and social behaviour and latterly policy is evidenced from a range of independent studies.

The UKCES 2015 Skills Survey, "*Skills in the Labour Market*", highlighted a quarter of UK vacancies were unfilled due to skills shortages and "technical and analytical skills were particularly lacking".

Office of National Statistics report highlights by 2020 people over 50 years of age will comprise about a third of working population and "almost half (48%) the adult population" (*ONS & DWP "The older Workers Statistical Information Booklet, December 2013*). Such evidence based data has led the government to undertake steps to improve recruitment and retention of an ageing workforce for the "benefit of individuals, business society and the economy" (*ONS & DWP, December 2013*). Such steps include deregulation of pension framework and inclusiveness of "all age" apprenticeships as part of the reform programme.

Re-enforcing this ageing workforce with critical skills gaps are studies commissioned by The Gatsby Charitable Foundation which highlights that currently over 2.1 million technicians are employed in the UK – 7.3% of the UK workforce. The majority of these technicians are employed in engineering roles but there are also significant numbers working in science, health and technology. Its studies show that with an ageing workforce, 50,000 technicians are retiring every year and forecasts that the UK will need as many as 700,000 more technicians by 2020 to meet the demand from employers (*Science, Engineering and technology Technicians in UK Economy, Geoff Mason 2012 + TBR's Skills & Labour Market Team, Sept 2014*).

Data analysis of our own membership indicates that of the 1300 plus technicians, our highest grouping of technicians are in the 46-55 age bracket, majority in energy and nuclear sector.

Coupled with the social and economic policy changes, successive administrations have sought to re-invigorate the technical and vocational education and training provision; alongside the public perception and employer investment in this form of learning and skills development.

Since 2010 there has been a philosophical belief that “co-investment” by individuals, state and employer was the most beneficial formula to achieve this “hearts and mind” transition – and assist with reducing the public deficit. Following the Richards Review of Apprenticeships in 2012; which aimed to identify what an apprenticeship should be, how apprenticeships can meet the needs of the changing economy plus made a series of recommendations on the creation of the right incentives for apprenticeship training through government funding and employer involvement. Technical and vocational learning, often codified as apprenticeships, has been given considerable prominence.

What is an apprenticeship?

It's worth clarifying that an apprenticeship, first and foremost is a model of learning for skilled work or occupational expertise. It transcends occupational boundaries and hierarchies and is a widely used term. However, in terms of its location in diverse national systems of vocational education and training, apprenticeship is traditionally positioned as creating skilled or intermediate/middle level employees for the labour market – it's seen as a pathway to credentials and skill formation above that required for competence in semi-skilled jobs and, currently, below that required for graduate level employment. This means that, in theory, it has a crucial position and rung on the skills ladder and within the opportunity structure, providing individuals with access to skilled work that provides a platform for career progression and socio-economic mobility and employers with access to a pool of productive skilled labour.

In Prospect, apprenticeships were traditionally viewed as in craft area and skills and therefore a target for industrial unions; this has changed hence the importance of this paper.

UK Government's vision for apprenticeships reinforces this latter view. By 2020 the current UK administration view is that that all apprenticeships will provide substantive training in a professional or technical route, transferable skills and competency in English and Maths for all ages. Furthermore, as part of the Apprenticeship Levy guidance, Government has published rules governing what an apprenticeship is. The key ones being:

- The apprentice must be employed in a real job they may be an existing employee or new hire;
- The apprentice must work towards achieving an approved apprenticeship standard or apprenticeship framework;
- The apprenticeship training must last at least 12 months;
- The apprentice must spend at least 30% of their time on off-the-job training. 100 hours or 30% (whichever is greater) of all guided learning must be delivered off-the-job. Clear and verifiable evidence must be provided of all learning undertaken.
- 280 hours guided learning: Guided learning is the time spent developing technical skills, knowledge of theoretical concepts and practical skills on the job whilst being guided. Apprentices must spend at least 280 hours in 'guided learning' in their first year.
- Employed for 30 hours a week: an apprentices must be employed for a minimum of 30 hours per week, including time training away from the workplace. If an apprentice's personal circumstances or if the nature of employment in a given sector make it impossible to work these hours, then an absolute minimum of 16 hours a week must be worked. In these exceptional cases, the total duration of the apprenticeship must be extended accordingly.

Alongside the range of different apprenticeships Government has sought to develop and demonstrate that there are robust progressions routes for individuals so:

Levels of apprenticeship

Apprenticeships have equivalent educational levels.

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes at grades A* to C
Advanced	3	2 A level passes
Higher	4,5,6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree*

*(*expansion from September 2016 with Government pump priming through HEFCE to manage the Degree Apprenticeship Development Fund)*

Degree Apprenticeships have been identified for:

- Chartered Surveying •Electronic Systems Engineering •Aerospace Engineering
- Aerospace Software Development •Defence Systems Engineering •Laboratory Science
- Nuclear •Power Systems •Public Relations •Digital •Automotive Engineering
- Banking Relationship Manager •Construction •Chartered Management

To underpin the growth in higher apprenticeships, provisional figures released on 23 March 2016 by the Skills Funding Agency show a dramatic increase in the number of people starting higher apprenticeships with more than 11,000 starts between August 2015 and January 2016. This compares to 8,400 in the first two quarters of 2014/15.

UK Education and training is a devolved policy matter. Authorities in each of the UK nations manage their own apprenticeships programmes, including how funding is spent on training. For instance, in Scotland apprenticeships are termed Modern Apprenticeships (MA). There are more than 80 types of MA across 4 different levels. These are all mapped to the Scottish Credit and Qualifications framework (SCQF) which ensures that at the end of the apprenticeship, the apprentice achieves a recognised qualification as well as gaining skills and hands on experience.

The funding model is different in Scotland; with cost borne by SQA (sponsored by Scottish Government's Learning Directorate) and the employer for apprentices aged 16-24 years of age and additional financial support for apprentices aged 25 + in certain industries, including financial services, tourism, food and drink, energy, life science, creative, construction and building, manufacturing, engineering and transport.

However with the structure, provision and funding of apprenticeships changing in England there will be an impact.

In July 2015, Government signalled its intent and commitment with:

- 3 million apprenticeship starts by 2020.
- A mandate for all public bodies to have 2.3% of its workforce as apprentices.
- The introduction of the Apprenticeship Levy in April 2017. This will require all employers with a pay bill of £3million or more, regardless of whether they employ apprentices or not, to pay 0.5% as a levy. These payments will be ring fenced as employer contributions to supplement existing government funding for apprenticeship training. Government plans to give employers the same proportion of their levy payment to spend in England as the proportion of their pay bill to employees living in England. HMRC will be collating the monies, monthly via PAYE. All business will receive an allowance of £15,000 to offset against their levy payment. The remaining monies will continue to be a devolved administration matter.
- Employers who have paid the levy will be able to use the service to cover/subsidise an apprenticeship with a recognised provider of choice plus get "more out of the levy" through a top up to their digital account (awaiting further clarification on detail from Government).
- Employers who have not had to pay the levy will be able to access government support through the Digital Apprenticeship Service.
- From April 2016 employers were not required to pay employer NI contributions for apprentices under age of 25 year of age on earnings up to the upper earning limit (£827 weekly). The apprenticeship grant for SME's of 16-24 years of age (AGE 16-24) will continue to be available with new criteria (yet to be announced).
- From October 2016 the Digital Apprenticeship Service an online portal will be rolled out. It will support employers manage their apprenticeships with a phased introduction of postings of vacancies through to selecting appropriate courses and providers.
- All relevant bids for government contracts £10,000 plus lasting more than 12 months must have a commitment to apprenticeships.

- Legislation, in the form of the Enterprise Bill, will provide protection for the term “apprenticeship” and allow government to take action if it’s misused by training providers.
- Parity of vocational and technical training with academia includes development and promotion of potential progression routes and establishment of bodies to implement these changes. The expansion includes the development of apprenticeships: immediate through to advance, higher and from September 2016, degree apprenticeships. As part of this ambition and parity, from Sept 2016 UCAS will advertise all higher and degree apprenticeships on their website.
- The establishment of the Institute of Apprenticeship. It will support the delivery of a “world-class apprenticeship programme for England”, giving employers control and decision-making over content and quality of apprenticeship standards. In March 2016, Rachel Sandby-Thomas CB was been appointed to the role of shadow CEO of the Institute for Apprenticeships. She has subsequently given notice to leave in September 2016.

What does this mean for Prospect and Prospect recognised workplaces?

Workforce impact

In a nutshell, it will impact on workforce planning strategies, training and development programmes; workforce re-numeration and conditions. Most employers, despite remaining confident about short term job prospects, predict that the pay growth for most employees is likely to remain stuck “at least to end of the decade or a median pay increase of 1.7%” (*CIPD Labour Market Outlook, May 2016*). The CIPD report cites how low inflation, expanding labour supply and lack of productivity growth are working in combination to reduce the economic pressure for employers to pay their staff more. In addition, employers state that the Government increases in labour costs on business – including the increases in National Living Wage, pension auto enrolment and impending Apprenticeship Levy, continue to reduce the scope they have to raise pay for other workers; plus within the public sector there continues to be a wage increase kept to 1% or less.

Employers are waking up to the fact that the levy not only has a financial burden on the business but is informing their workforce planning and development plans. With the ability to inform and influence apprenticeship design and structure, employers are increasingly exploring apprenticeships as a route to meet current and future critical skills gaps and mitigate costs. Currently Government pays a proportion of costs based on age and level. Public data from 2014/15 would suggest that many employers are using current employees to undertake apprenticeships. Of the 500,000 starts that year, 43% (214,000 of all apprenticeships) were 25 plus in age and 60% (298,000) at Intermediate level and 30% at Advanced.

Whilst the vast majority of the apprenticeships are in the service sectors, business administration and management made up the second and third highest starts with 49,000 and 43,000 respectively. Engineering was 8th with 18,000 starts.

Diversity and Inclusiveness

Interestingly, the data also show that 53% (264,800) of all apprenticeships starts were women and yet there continues to be a gender inequality in the experiences of apprenticeships. There were 25 men for every woman starting an apprenticeship in

engineering; with 16% of young women out of work following an apprenticeship compared to 6% of men and women apprentices received lower hourly pay than men at £4.82 compared to £5.85 (*Young Women's Trust, Making Apprenticeship Work for Young Women, March 2016*). Whilst some of the statistics reflect the type of lower paid occupational roles and sectors women are traditionally recruited into, it is important to prevent these trends becoming further entrenched.

This evolving and shifting workplace dynamic offers real opportunities for Prospect to demonstrate its value and benefit to the business and (prospective) members' career development aspirations and careers, including a cadre of young people entering the workforce for the first time.

Quality Apprenticeships & Advice & Guidance

As a union, Prospect has not only championed quality apprenticeships but also the critical importance of timely career advice and guidance for would be apprentices, their parent/guardians and educators, through the free to download Apprenticeship App but also through its range of members' guidance and information on employment rights and status. More recently through its skills development project, RegTech, which seeks to promote and support the registration of technicians – be these ICT/IT Technicians, EngTech and SciTech and develop local expertise on vocational pathways.

Established apprenticeship programmes in many Prospect recognised areas, (predominately, but not exclusively in engineering) are known to have industry relevance, quality and assessment rigour. These are – or will - undergo change and expansion. New employer designed apprenticeship standards, known as "trailblazers" are being developed to replace current apprenticeship frameworks. In addition the type of apprenticeships being offered are expanding – with a growth in, what might term, non-traditional apprenticeships in legal, HR, IT, project management, accounting and leadership and management.

Employer Activity

Evidence of this type and level of growth can be seen in businesses such as BT, which in addition to advertising for engineering apprenticeships is now recruiting for advanced and higher apprenticeships in Finance, IT and HR.

The new nuclear build Project, HPC, has a commitment to train 1000 apprentices over the lifetime of the Project. Many will be focused on craft and semi-skilled apprenticeships, nevertheless it's estimated a proportion will be apprenticeships at advanced/higher levels in a range of occupational roles. The longer term operational phase will also attract many technical and business apprentices.

Looking to another major infrastructure project, the Transport Infrastructure Skills Strategy (January 2016). It sets out Government ambition to create 30,000 apprenticeships in the roads and rail sectors by 2020.

This target includes the Department for Transport, its Agencies and infrastructure client bodies – Crossrail, Transport for London, Highways England Network Rail and HS2 Ltd, as well as each of their supply chains. Depending on the contract, suppliers will either create one apprenticeship for every £3 to £5m of taxpayers' money spent, or increase the number of apprentices employed each year through the lifetime of the contract. In these cases the aim is that the number of apprenticeships created each year will equal

2.5% of the workforce. It's anticipated that 150 starts in September 2016 will be at level 3, and upwards of 100+ across other levels 2 to 7. (*Hansard, 5th May 2016*).

Similarly MOD has recently advertised for a range of advanced and degree apprenticeships for Defence Equipment & Support (D&ES) in project management, engineering, IT, Finance, procurement and logistics.

To give context to the current and likely future system, BAE Systems has typically received in excess of a £3m grant to contribute to the further education costs of its apprentices. This means it attracts around £15k for each apprenticeship. The average cost of a BAE Systems apprenticeship is c£100k+ (including salary). In 2015, Bae Systems took on a record 724 apprentices and just under 300 graduates. According to their predictions, BAE Systems levy costs will be c£10m per annum. It estimates a potential £6.5m gap between its Levy contribution and what it would receive back (based on c700 apprentices per annum each attracting £5k per annum).

The Lifelong Learning Strategy (2015/01177) presented a snapshot of the breadth and depth of apprenticeships in Prospect recognised areas as at 2015. With the introduction of the apprenticeship levy in April 2017 whatever the size, type or location of business in the UK will be affected. The key push factors being within the public sector the requirement to meet the 2.3% mandate; for larger business to mitigate the 0.5% levy; smaller business either through encouragement of the £15,000 towards starting up an apprenticeship or through any contract (or subcontract) worth £10,000 with a government body/agency, a commitment to train apprentices.

What can we do?

Find out how Prospect recognised organisations are preparing for the introduction of the apprenticeship levy? Does it intend to introduce, develop or expand a range of apprenticeships?

Identify opportunities to develop and upskill the current workforce – either using the apprenticeship model or to support the expansion of the programmes (e.g. mentoring of staff involved in the programmes).

Explore what consideration has been given to vocational progression pathways e.g. opportunity for Prospect to support individual's professional development in – but not exclusively, the IT, engineering or science disciplines.

If the organisations is investing in apprenticeships with a focus on young people, identify how Prospect can articulate their voice and workplace issues coherently and consistently.

Support employers to ensure apprenticeship programmes are inclusive through: positive actions to increase diversity in apprenticeships (especially where number of women or BME) are disproportionately low through for example:

- Providing work experience opportunities; providing buddy mentors, setting targets; greater advice and guidance to apprentices before, during and after apprenticeships.
- Ensure pay and financial support for apprentices is increased – funding made available for discounted or complimentary travel for apprentices; access support to cover childcare costs on the same basis as other workers.
- Greater availability of part-time and flexible apprenticeships

Rachel Bennett

Life Long Learning Officer

8 June 2016