HOUSE OF COMMONS

Sub-Committee on Education, Skills and the Economy

Oral evidence: Apprenticeships, HC 206

Wednesday 14 September 2016

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Watch the meeting

Members present: Neil Carmichael (Chair); Paul Blomfield; Catherine McKinnell; Ian Mearns; Amanda Milling; Stephen Timms; Chris White; Mr Iain Wright.

Questions 134 - 208

Witnesses

I: Neil Carberry, Director for People and Skills, Confederation of British Industry, Marcus Mason, Head of Business, Education and Skills, British Chambers of Commerce, Iain Murray, Senior Policy Officer, Trades Union Congress and Ben Willmott, Head of Public Policy, Chartered Institute of Personnel and Development.

II: Liz Greenfield, Head of PR, Pfizer, Robert Light, Vice Chair of City Regions Board, Local Government Association and Iain McIlwee, Chief Executive, British Woodworking Federation.

Written evidence from witnesses:

- British Chambers of Commerce
- British Woodworking Federation
- Chartered Institute of Personnel and Development
- Confederation of British Industry
- Local Government Association
- Pfizer
- Trades Union Congress

House of Commons

Examination of witnesses

Witnesses: Neil Carberry, Marcus Mason, Iain Murray, and Ben Willmott.

Q134 **Chair:** Good afternoon and welcome to this session of our inquiry on apprenticeships. The purpose of this session, as with the previous ones, is essentially to gather evidence from employers and employer and employee representatives about ongoing changes to the apprenticeship scheme. We are obviously interested in what people think about the changes, what changes they might believe would help, which are not necessarily on the agenda and so on. So feel free to give us some leads from your point of view as to how this policy should be shaped in months and years to come. That is what we want to do.

For the purposes of those people watching on television, can I just ask you all to say who you are and what you represent?

Neil Carberry: Neil Carberry. I am the Director for People and Skills at the CBI.

Marcus Mason: Marcus Mason, Head of Education, Employment and Skills at the British Chambers of Commerce.

Ben Willmott: Ben Willmott, Head of Public Policy at the CIPD. We are the professional body for HR and people development in the UK.

Iain Murray: Iain Murray, Head of Education and Skills at TUC.

Q135 **Chair:** Great, thank you. I would say that we ask short questions—at least I hope we do—and we have relatively short answers as well and then we encourage supplementaries. We are going to allow about an hour for this. We have about five themes to pursue, so that means that we have about 10 minutes on each theme.

The Government say they want to put employers in the driving seat of the apprenticeship scheme. How effective is this going to be? Neil, could you make a brief comment?

Neil Carberry: In principle, the established aim of the Government's policy is one that we would agree with. We would like to see the skills system focus on its real customers, which are learners via their employers, rather than the system that I think we have had for a number of years now where the critical client relationship is between the provider network and the people who pay their bills, which is the Skills Funding Agency. Moving to more of a market in skills is the right idea. As many of you will know, we have some very significant concerns about how that is being done, but the principle is one we would support.

Q136 **Chair:** Iain, what are your thoughts from your perspective?

Iain Murray: We certainly believe as well that the system should be responsive to the needs of employers and industry. The one caveat we would add to that is that we would say that it is not just employers and apprentices who are the main customers. There needs to be a balance between the views of employers and other stakeholders in the system, particularly trade unions, because we do think that trade unions are in a very good position to articulate the voice of individual apprentices as employees and also to balance out the longer-term needs of young people coming in to act as apprentices and their long-term career opportunities and aspirations and to ensure there is a balance between the needs of industry and employers and the needs of apprentices.

Q137 **Chair:** Marcus, how do you think the Trailblazer scheme has gone and do you think that is something we should be pleased about?

Marcus Mason: Trailblazer is an example of increased employer ownership and employer involvement, which is something that broadly speaking we would recognise. But on that theme of employer involvement what we would say is it is important that we have all different types of businesses, different sizes of businesses involved. Trailblazer by and large has been dominated by larger employers. Of course there have been different examples of different Trailblazers, of smaller businesses being involved, but generally speaking they have dominated and I think it is important going forward that employer involvement means employers of all sizes.

Q138 **Chair:** Ben, you are nodding, so I take it you agree with that?

Ben Willmott: Yes, I would certainly agree with that, but I would also say we do have some concern around the proliferations of Trailblazer standards. The estimate is that we will have possibly 1,600 frameworks by 2020, so how we manage equality across that level of standards is questionable.

The other thing is how standards are updated on a regular basis. Employers' skills needs change regularly, quite frequently, depending on the business conditions and we need to be able to update those standards on a regular basis. As Marcus said, how we involve SMEs in that process is crucial, so there are some open questions around how we might rationalise or improve the Trailblazer standards system over time.

Neil Carberry: I would agree with much of what my colleagues have said. The challenge here is making sure that we get the right balance between control for quality and flexibility in the system. There is an element of which—to quote a member of one of the CBI's regional councils—we as businesses need to get over ourselves a little bit about how much of what we need to train our staff for, other companies also need to train their staff on the same issues. That is why the Institute for Apprenticeships is really important. We called for it last summer; we pushed the Government very hard through the spring on its independence. There is still some way to go.

One of our concerns of course about the timing and the ticking clock of all this is the Institute will not be up and running until the moment the levy and the skills reform arise. But getting the Institute right is critical to sorting out this proliferation of standards, getting the standard quality right and sorting out the problem of what we base the standards on if that is no longer the National Occupational Standards.

Q139 **Chair:** We have agreed it is an employer-led scheme, but there are other stakeholders in this. Does anybody have any thoughts on how they might get involved or should be involved or might be approached to be involved? Iain.

Iain Murray: There is an opportunity to look at how we could empower the voice of apprentices themselves. There is quite a lot of useful data that the Government are collecting from the survey that they do of apprentices and what they think of their training and wage levels and so on. There are some fairly disturbing findings coming out of that—up to a third do not even know they are on an apprenticeship. But I think it would be useful for the Institute to do some imaginative thinking around how you empower the voice of the learner and the apprentice as well.

Chair: Any thoughts?

Neil Carberry: I would agree with that and I think one of the things that we need to be clear about is that in the pre-reform system, the frameworks have different pay-offs for apprentices. Some are very, very good in terms of long-term pay and progression and some are, frankly, not much better than not doing the apprenticeship. We need to be making sure that the Institute is measuring that and taking data from apprentices as well as companies on that.

The other thing I would say is there is a bit of a lacuna around provider readiness in current thinking. I said earlier that I have felt in the past providers have tended to react to what Government will fund, rather than what business and apprentices need. That will change, but also it is quite a seismic change and getting the knowledge out there in the provider base of what is happening and providers ready to deliver next April is an important challenge and more thinking on that will be important.

Chair: Anyone have any further thoughts? Marcus.

Marcus Mason: I think ultimately one of the main issues with focusing on this 3 million target is that quality might suffer. In order to make sure that the quality of apprenticeships is high and is kept high, you need to be able to have effective feedback from other stakeholders, from learners, making sure that certain providers who perhaps are consistently delivering sub-par training are not able to access the programme. Taking into account those other stakeholders is crucial. The Institute for Apprenticeships could be a way of collecting some of that feedback and acting upon it.

Q140 **Chair:** So you are agreed that the Institute should have some clear responsibilities for quality and that to make sure that quality is being delivered, more interface with actual apprenticeships is one of the key tools.

Ben Willmott: The other point that I think should be made is again how we engage more small businesses in apprenticeships. The Trailblazers are, as we know, more large-employer led. What happens on a local level? How does the Institute for Apprenticeships work with business growth hubs? How do we provide more handholding support for small businesses so they will invest in apprenticeships and they can invest in apprenticeships? That is an important element.

Q141 **Chair:** Following on from that, the question is does the system provide sufficiently clear progression paths? That is something you could ask about small business, isn't it?

Ben Willmott: In theory, yes, you have different levels of apprenticeships, but I think the thing about progression is skills is a derived demand, it depends on the nature of the business, the business model, the quality of leadership and management. If we are looking at progression within organisations, then what we need to focus on as well is how we can improve the quality of leadership and management, because ultimately that is what will unlock progression. We know there is a correlation between progressive leadership and people management practices and greater investment in training. That will include apprenticeships, but lots of other forms of equally important workplace training and development, which together provide progression pathways within organisations. We need to look at the system in the round as well.

Neil Carberry: Progression is really important to us, because we live in a world where if you go out and talk to CBI members around the country, they will talk about not being able to hire the apprentices they need; technician shortages in workplaces all over the country are quite significant. The challenge is that we have become quite good at delivering apprenticeships at level 2 and level 3 and I would not for a moment denigrate the idea of a level 2 apprenticeship. The critical thing is then how do you move on to level 3 and level 4 and level 5? What the system should do in its maturity is start to build those ladders up through careers. Now, in some sectors maybe you get to level 4 and there is not much further to go, sometimes you will get to level 6 or 7, as we have seen in apprenticeships, but that is important in terms of the long-term benefit to apprentices.

Q142 **Chair:** You are thinking of formal ladders to each level.

Neil Carberry: Yes. You get a lot of people talking about the hollowing out of our labour market, middle skill jobs have gone. That is not our view. Our view is that middle skill jobs that you used to be able to enter at 18 with maybe a level 2 or a level 3 qualification are now just a little bit more skilled; they require a little bit more technical training. Apprenticeships are a great way to deliver that, but we should be clear that up until now, the apprenticeship system has been very focused at level 2 and level 3. Over time, we need to be thinking about level 2, 3, 4 and 5 as the core pathways of apprenticeships.

Marcus Mason: I am thinking about progression here from apprenticeship into a job. If you ask most people about apprenticeships, it would involve progressing into a job once you have finished your apprenticeship. That is what most people would understand by the term. I think it is important we retain that. What I would urge the Committee to look at there is once again the 3 million target, which is around completion of apprenticeships, it is not really about progression. Once you have those types of targets, while it might help galvanise a number of stakeholders to increase the numbers, it might not achieve the desired outcomes, so a greater focus from the Government on not just completion but progression would help.

Q143 **Chair:** Is everybody happy with what we have heard so far?

Ben Willmott: Yes. I think there is some great practice out there. If you look at a local level, if you look at Sheffield, the University of Sheffield has great strategic partnerships with employers, which means they have been able to develop some of those advanced and higher-level apprenticeships in greater numbers. We need more of those sorts of models and hubs, where education providers are working strategically with employers at a local level, and as Marcus said, supported by some clear push around measures from Government to support level 3 and above numbers.

Q144 **Chair:** That requires of course a fairly good understanding of opportunities, supply and demand, both of places and people, doesn't it?

Neil Carberry: It does. I think there is a legitimate challenge to businesses on making sure that we are articulating skills needs effectively. There are vehicles developing to do that through Local Enterprise Partnerships and some other things happening at local and sectoral level. It is also about us understanding skills utilisation and future demand as well, so there is some work for us to do as businesses in all of that.

The critical thing is also meeting us halfway with the provider base, which is when you have a discussion with the provider; you can get what you need, not what will be funded. That is going to be the test that a lot of our members will measure the reforms on. The great failure of Train to Gain—and many CBI members did not engage in Train to Gain—was because Train to Gain would not do what they needed to be done and they went off and did it privately.

Chair: We are going to move on to the levy now with Iain.

Q145 **Mr Wright:** This follows on, Neil, from what you have been saying, because the Government says that the apprenticeship levy will incentivise employers to take on apprentices. Will it?

Neil Carberry: Under certain circumstances, but equally I think the challenge that we see with the apprenticeship levy is largely it is a fiscal policy. Government has decided it needs to find the money to fund the apprenticeship system via a levy. In a sense, whether the CBI would support a levy or not is immaterial. Levies are just a way of funding skills and they are quite common around the world. The critical thing is then making sure that that levy rewards the companies who lean in and do high-quality training, and we have talked about quality already.

The challenge that we have is that at 0.5%, the levy takes an enormous amount of money out of a levy-paying business's pay roll and the current approach to operationalising that makes it quite difficult, certainly in year 1, to do anything that looks like getting enough money back to continue running your current system. So we have several members who are cutting back on apprentice numbers for next year because they cannot yet see how they can afford, within the current system, to continue with what they are doing. That is a few businesses. Many businesses are saying, "Look, it is just a tax. I do my training to the extent I get money back from the levy. That is great".

But overall what we would like to see over time is enough flexibility in the system—and we have talked to the Government recently about allowable expenses, where you are spending serious cash on capital to do engineering training—but extending that sunset period on funds in the account from 18 months to two years or longer, so you can see the money and you can use it, and for things to be done that help transfers, coming back to Marcus's point about small businesses. At the moment we are proposing quite a significant attack on apprentice training agencies next year because of the limited scope for transfer in the fund, which will kill off a lot of really good co-operative training methods. Do some of those things: businesses can get just a bit more of what they are doing back, the incentives change a bit more and you get more businesses to lean in.

Mr Wright: Any other comments? Marcus.

Marcus Mason: Will it incentivise businesses to take on more apprentices? You would think that the answer would be yes, because all of a sudden every single large business paying the levy sees this money coming out of their payroll and they are thinking about how they can reinvest it. In a sense it has raised awareness of apprenticeships as a training option, which might lead to some increase, but at the same time what we have found, speaking to businesses, is that probably about half of them think they are not going to recoup the levy money that they are going to put in, so they are not going to recoup 100% of the levy money they put in, so it suggests they are not going to maxing out that fund. A small minority are not going to bother engaging at all, but I should stress that is a minority. But also I think the thing that we need to be really careful of is essentially rebadging and transferring existing very good valid training that falls outside the apprenticeship.

Mr Wright: I might come on to that in a moment, if I can. Ben, any comments from you?

Ben Willmott: Yes, just in terms of numbers, will the levy drive numbers? I think it will. We have done a couple of large-scale surveys on this and about 25% of employers overall say that they plan to use levy funding to increase investment in apprenticeships, with about 8% of that saying, "Yes, we are going to start an apprenticeship for the first time" and 18% saying they are going to increase investment in current provision. If you look at SMEs, about 15% of small businesses, about 250 or fewer, typically non-levy paying businesses, say that they plan to use levy funding to invest in apprenticeships. That is where we have a particular issue.

The other thing that Marcus alluded to is some of the damaging unintended consequences from the levy as currently framed. CIPD is not against the principle of a levy per se, but in terms of the quite narrow design of this levy, in terms of rebadging, of those organisations that have calculated the cost, about 30% said that they will look to adapt existing training so they can be accredited as apprenticeship schemes.

Mr Wright: Again, I might come on to that in a moment. Iain, any comments in terms of incentivisation?

Iain Murray: It is going to play out differently with different employers, but the important thing with the levy from our viewpoint is the long-term impact on workforce development with companies. We already know there are some large companies who are changing their workforce development strategies and saying, "We are going to have to pay this. We are going to change. We are going to look at recruiting more young people, training up young people". There may be some big companies that just say, "It is a tax. We will pay it. We will just carry on as we are". As far as it being a means of increasing investment in apprenticeships, and there is going to be a significant investment in apprenticeships over the coming years as a result, there is also a wider cultural impact.

I think the Government are right to say that something needs to be done, because they have looked at various analyses. I know some people have called into question the analyses around off-the-job training, but I think there are other pieces of research out there, for example, a major piece that shows that employer investment in training had declined by nearly a half since the mid-1990s due to a mix of factors, but there is something going on in the British workplace that the levy will play a role in addressing. But we need to also look at the longer-term impact of the levy on employer behaviour.

Q146 **Mr Wright:** That leads me nicely into my next question. I want to start with you, if I may, Marcus. The NAO recently published a report where it said that the Government's apprenticeship reforms have not really had a definition of what success looks like. I was very interested in your comments earlier, where you alluded to 3 million apprenticeships by

2020. That cannot be the definition of success, can it, so what should the Government be looking at in terms of how the effectiveness, not just of the levy but of apprenticeship reforms, can be measured? Tell me what success looks like.

Marcus Mason: Ultimately you need to look at progression into a job after the apprenticeship. That is absolutely crucial from the learner perspective, to make sure that these are high-quality opportunities for them to progress into work afterwards. You also have to look at the standard of these apprenticeships and trying to increase the number of higher-level apprenticeships, so the type of apprenticeship. There is no point in having a proliferation of lower-level apprenticeships, I would say, and there is a lot of talk at the moment about high-level apprenticeships, but we are talking about miniscule numbers right now, so the standard of apprenticeship is going to be crucial in defining success.

Ben Willmott: I think we do need some measures around quality or level of apprenticeship. At the moment we have nearly two-thirds of apprenticeships created at level 2. Level 2 apprenticeships have a role to play in terms of supporting employability and progression, which we have already discussed, but if the Government are serious about creating parity of esteem between the vocational route and the university route, level 2 is equivalent to five passes at GCSEs and that is not going to cut it, so we have to have some measures around increasing the proportion of starts at level 3 and above, otherwise the status quo will be maintained.

Q147 **Mr Wright:** Are we fixated in terms of a political class in terms of how this is commented on around starts? Shouldn't the emphasis be about completions and more about quality rather than numbers?

Ben Willmott: I would agree with that absolutely, but we do know—depending on the data you look at—that some of the data on wage outcomes for level 2 apprenticeships, particularly in certain sectors, are not good at all. So I think we want to see better wage outcomes as well. That could well be a measure that we should be looking at.

Mr Wright: Iain, anything to add?

Iain Murray: I will start with maybe rather an abstract kind of definition: once we have young people and parents viewing new apprenticeships in this country in a similar way to other countries—the German-speaking countries, Scandinavian countries, where apprenticeships across the piece are seen as the major vocational pathway for young people. That is not the case, we still have too few apprenticeships. I do not believe the target is going to fix that, but I we need to expand the number of high-quality apprenticeships that people can access.

Another measure for me in addition to quality is equality. There are some positive measures being announced in the recent funding arrangements around incentivising employers, should they go on more young disabled people, more people who are care leavers etc. The social justice agenda is important here as well, around how we can use the apprenticeship reforms to enable a lot of these young people, who have been really left by the wayside, I think, with our educational system at the moment, to have an opportunity to access high-quality training.

Chair: Thank you. Neil, anything to add?

Neil Carberry: Colleagues have said this: a lot of the debate circles on the 3 million. The question should be 3 million what? Three million is a great number, it is a growth in apprenticeships, but if there are 3 million routes to good careers, businesses are absolutely up for that. The main complaint in our membership is not being able to get enough people who are ready to take those apprenticeships on, not being not willing to deliver it. Again, it comes back to what you are setting up the Institute to do, and importantly, to does it have the teeth to go back to Government and say, "If you did this, this and this with the policy, we would get to a better place"? I think that is a big test.

Q148 **Mr Wright:** My final question, and I start with you, Ben. You and Marcus both touched on this, which is the fixation with apprenticeships as part of the central plank of skills policy. How is that distorting other types of training that is provided by companies? Could you give us an outline? Is that a positive thing or is it a negative thing?

Ben Willmott: I think there is definitely space for more apprenticeships and more employers to provide apprenticeships, I think that is a given—but, certainly from the data we have, and we touched on the issue of rebadging so we know Ofsted has highlighted that as an issue in its report last year, one bit of data from our survey suggests that, as I said, of those organisations that have calculated the cost of the levy, then 29%, so nearly a third, say they will look to effectively rebadge existing training. That is not productive activity.

The other thing is this will create a lot of bureaucracy within companies as they look to try to jump through hoops in order to reclaim the levy. The other equally worrying point is the fact that the levy will potentially take funding from other forms of training development. Again, of organisations that had calculated the cost of the levy, 36% said that they would be having to reduce investment in other forms of training development.

Q149 **Mr Wright:** Any particular examples?

Ben Willmott: We have about 14 case studies and none of them particularly wanted to be identified, but there were a number who were saying that they were going to basically move their training budget and focus it on apprenticeships and that was going to have some quite negative consequences for the overall volume of training that they provide.

Chair: Thank you. Again, any other additional comments?

Marcus Mason: Just on that point, on the issue of conversion of existing training, we do not want it to just be a rebadging exercise; that benefits no one. The only thing I would add is, is there a way for the levy funding to be used to fund other forms of high-quality training that benefit businesses and that benefit their employees? Why not allow businesses to spend it, especially if it looks like from our data, from your data as well, that most businesses are not going to be able to spend all of their levy funding on apprenticeship, why not allow them to spend it on other forms of high-quality training?

Ben Willmott: We have suggested that the levy is effectively reframed as a broader skills or training levy to allow that to happen, so it is something that potentially the Institute for Apprenticeships could look at and maybe over time look at changing or making the levy more flexible so that other forms of training can come into its remit.

Iain Murray: One of the points we have is in welcoming the levy and the commitment to expand high-quality apprenticeships, we are concerned about a wider impact on further education and adult skills. What we are saying to Government is, "You should use this as an opportunity. You are getting all this added investment from employers for apprenticeships, but Government should be boosting investment in further education and adult skills, FE colleges etc." I know there is work being done around that, but our one concern is that we safeguard the role of further education and adult skills.

Neil Carberry: So there is good rebadging and there is bad rebadging, isn't there? Good rebadging is where you are doing something inhouse that is already good yearlong and layering on an apprenticeship qualification just gives a bit of tradability in the labour market. That is fine. Where we would be concerned is where in order to recover funding, firms are feeling forced to either cut back on shorter training investments that will not qualify for the apprenticeship test or rebadge stuff that does not really suit. Importantly, also we need to think about what the apprenticeship brand is, because there has been a lot of debate over the last 48 hours about the 16-to-18 uplift changes; pre-apprenticeships are not apprenticeships.

Equally, we are looking at a world where in order to do a degree apprenticeship in partnership with a university, you have parallel regulation from the university sector and from the IfA. We all know employer-sponsored degrees already exist, we know they are good, we know lots of institutions are delivering them. Why not just accept that regulation as equivalent? So there is some bottoming out of this policy that needs to be done. That is the sense of all of this, we are running hard against a clock on things that really should have been thought of before the policy got as far as it did.

Chair: Thank you. Stephen is going to talk about non-levy paying employers.

Q150 **Stephen Timms:** Can I just follow up first on a couple of Iain's questions? Ben, in response to one of the questions you have said that everybody agrees in principle with the levy, but the details of this particular proposal are problematic and I think the CBI has called for a delay of the levy's implementation because of those concerns. Is there a consensus on the changes that ought to be made to the levy to deal with these reservations?

Ben Willmott: I cannot speak for my fellow panellists, but I think broadly, among quite a few employers and representative professional bodies there is agreement that if you made it more flexible, then that would allay quite a lot of the concerns around the levy.

Q151 **Stephen Timms:** More flexible in terms of how the levy can be spent?

Ben Willmott: What types of training it can be spent on. Issues in developing high-quality apprenticeships are: do you have the management capability, do you have the level of supervision to ensure that those apprentices are developed properly, and do you have a proper employment relationship where they are coached, they are developed, they are supported? So developing line managers so that they can develop apprentices is crucial. From the organisations we spoke to in indepth interviews that was a concern: even if they could boost the number of apprenticeships significantly, they did not have the internal capacity to manage them properly. Some training around how you train line managers to support apprenticeships would be probably really important for a lot of organisations.

Q152 **Stephen Timms:** Can I ask Neil, is that the CBI's vision as well, that if there was just more flexibility on how the levy is—

Neil Carberry: I think flexibility is one important part of it, but I think if we get in our time machine and go back to the Leitch review, what we have been promised for over a decade is a more demand-led skills system, a more employer and trainee-led skill system. We never seem quite to get it. We had the employer ownership pilots that UKCS ran and a large number of CBI members walked away from those because of the red tape that Government put around this allegedly employer-led programme. So it is about more flexibility.

We are now dealing with things like rates and caps, which are fundamental to Iain's question around how businesses see the incentive that the levy puts on them. These were launched in the second week of August on a three-week consultation. Genuinely, we had to go back and say, "This is our headline view, but all the people in our member businesses who need to interact with this to come to a view have not been in the member business during the period of the consultation". So there is also this question of velocity of policy and what it leads you back to is the system being designed from Whitehall rather than being designed through the Institute. So part of our looking for a delay is, yes, it is about more flexibility. It is also about bottoming out a lot of this policy, because what we would really like is for it to work in year 1.

Q153 **Stephen Timms:** Do you get any sense the Government might delay the implementation of the levy?

Neil Carberry: They have not given me any indication that they are considering it, but I think CBI members are fairly clear in their view that they might get a better outcome if they did consider it.

Q154 **Stephen Timms:** Listening to the discussion, sometimes it sounds a little bit as though everybody says that, "We are all in favour of the levy as long as it does not cost me anything; as long as I can use the money to do the things that I am already doing". I presume that is not really what you are saying.

Neil Carberry: No. I think what is important is—look, if it is a tax to fund the skills system, raise the tax, there are lots of ways you can raise tax. This is being sold to businesses and to learners as an opportunity to have a tax across all businesses of any reasonable size to pay for a system that is then employer-led. That is the deal. As you go through that sentence, at the moment these things become less true. So what we are looking for is delivery of the employer-led system and the vast majority of our members will get nowhere near their money back and that is not what we are looking for, we are looking for quality.

Q155 **Stephen Timms:** Can I then come on to the position of those who are not going to pay the levy? I am going to ask a question to you, Marcus, whether you regard the proposals launched, as Neil said, on 12 August with an extraordinarily short consultation deadline, as representing a good deal for companies who are not going to be paying the levy?

Marcus Mason: I think that those proposals potentially could have the effect of dampening demand for apprenticeships among those who do not pay the levy.

Stephen Timms: Of stifling demand?

Marcus Mason: Of stifling demand, yes. Obviously on the face of it, 90% funded apprenticeships looks good, but you just have to look back at the Government's own figures on the numbers of businesses who currently do not pay anything towards training providers, so about 75% of businesses do not pay training providers for apprenticeship training. That does not mean that businesses do not incur costs, there are lots of costs around employing, hiring, training apprentices, that they incur inhouse, but the payment made to training providers is only made by about 25% of businesses. So all of a sudden you are asking those businesses, all of them, to start paying 10% towards training. Inevitably the effect, what we are hearing back from this very short consultation period of our members as well, is that this will stifle demand to some extent. So we are quite concerned.

Neil Carberry: I think it is quite important to also raise a point about awareness. Marcus and I were comparing notes on this on the way in and we are hearing the same thing, which is even among the levy-paying base—whatever Government says about 2% of companies, you do not have to be very big to be in the levy-paying base, about 100 employees—but also among small businesses, awareness of what is coming is not as high as any of us would like it to be. Certainly we still find, going out and talking to businesses around the country, that planning is at very varied stages of maturity, even given the lack of information from Government.

Q156 **Stephen Timms:** One of the forms of flexibility that has been asked for, I think, by levy-paying companies is that they should be able to use the funding to be pay for training in their supply chain. I think this is something the Government has moved a bit on. Do you think there is now enough flexibility for using the levy in that way among suppliers?

Neil Carberry: No. The proposal was 10%. That is not enough. It is a symbolic move and certainly a lot of it slated for delivery after year 1. If you are one of our larger members operating an apprentice training agency for their own apprenticeships, that means you have would have to shut down your ATA next year. Would you really want to set it up again? That is damaging, especially if you are running an ATA, they are in a college or in a larger company that is bringing in many of those smaller firms. When I talked earlier about people being unable to hire apprentices, what we find typically is your household name companies have big postbags. You do not have to go too far down the supply chain before you find firms that are really struggling. So I think much greater capacity, in a well-regulated way, to pool and share in supply chains in sectors in local areas is absolutely vital.

Q157 **Stephen Timms:** If 10% is not enough, what do you think would be?

Neil Carberry: I question why you need a restriction at all if the system into which you are paying is well-regulated.

Chair: Thank you, Stephen. Catherine is going to be talking about funding per head.

Q158 **Catherine McKinnell:** You have set out a raft of concerns about some of the changes that are proposed. To what extent are the Government's proposals for per apprenticeship funding an improvement on the previous system? You can give a short answer, if you like.

Neil Carberry: So to the extent that we have had a chance to kick it all through—

Catherine McKinnell: I guess that is another question as well. Clearly we all assume the Government is not wanting to pursue a policy that is going to be damaging, therefore if it is your view that there has not been enough time to even know the answer to that question, that would be helpful to know.

Neil Carberry: So there are two arrangements for the consultation. There is the response that we have handed in and then there is the follow-up letter, which comes in about a week and a half's time when we feel we fully understand the rates and caps. At the moment the sense that we have is it depends what sort of apprenticeship you are doing, framework or standard, and it depends what sector you are in. So the Government—and we would think rightly—have leaned towards STEM skills. If you are on one of the new standards on STEM skills, the rates and caps, you might not get all your money back, but they are not bad. If, for instance, you are in—

Q159 **Catherine McKinnell:** Sorry, does that apply regardless of geography?

Neil Carberry: I will come to geography in a moment.

If you are in construction, where you are on frameworks, then the rates and caps are very challenging. One of the things we are starting to talk to Government about is the transitional arrangement for sectors where there are no standards, coming back to the alignment of standards discussion we had earlier.

The last bit of course is the abolition of the uplifts. Clearly that has very significant effects on per apprentice funding in different areas. We would say that kind of geographical incentive is more of a political public-policy decision than it is an employer's decision. We see the case for why our Government would want to incentivise employers to take on 16 to 18 year-olds. There are a number of ways in which you might do that; there are some great schemes that employers are engaging with. I spoke at a Believe in Young People event in Portcullis House last week, which is doing great work on pre-apprenticeship outreach. So if you do move away from the uplifts, you then need to do something else instead and businesses would have an open mind on what that is.

Catherine McKinnell: Thank you. Does anyone else have a comment to make?

Iain Murray: Obviously this has been in the news over recent weeks and we are also concerned in particular about the impact of the uplifts or the lack of them in the future regime, especially around young people living in disadvantaged areas, young people from disadvantaged communities. I think the Government needs to look again at the uplifts and to make sure that we are not moving to a system that is going to disincentivise the recruitment of young people into apprenticeships, especially from local communities that face challenges. We need to be doing the opposite, so I think they do need to re-examine the whole issue of the uplifts.

Q160 **Catherine McKinnell:** In terms of negotiating the price of apprenticeships, which is proposed, that flexibility, do you think that is going to have an effect on the quality of provision?

Marcus Mason: It is still quite early to give full answers to some of these questions around the individual funding arrangements, but I think ultimately it will allow businesses to negotiate and to find the right type of training, as long as they have visibility and can see the different types of training that is available, because often they cannot see the wood for the trees, frankly, when it comes to different providers. They do not know how to make a judgment as to whether one provider is better than another. I think that is going to be absolutely crucial, because otherwise they are in that bargaining position or trying to negotiate a price without having perhaps enough information to go on.

Q161 **Catherine McKinnell:** Which, I would take from that, presumably runs the risk of quantity prioritised over quality.

Neil Carberry: Absolutely. There is a trade-off here with the SFA's list of approved providers, so what is that list in the new system? Is it a list of people who can provide or is it a list of people who are quality-assured to provide? Because if it is the second, particularly smaller businesses will tend to look at it as a Government list, so therefore there is some kind of hurdle to jump. Then issues around negotiating price ought to be less concerning because there is a quality bar around that. I think Government needs to be clearer about what that test is.

In principle though the idea of negotiating the price, I think is right, because at the moment where we have been is that the price comes from Government and businesses see none of it. I speak as an apprentice employer, I brought the first apprentices into the CBI, into our team. It was very difficult in the absence of any price signals, as a small business, which the CBI is, to tell where the quality was. Now, what we were looking for from the Government was lots of signals around how we tell a good provider from a less good provider, and in the end of course we ended up turning to other businesses for that guidance because there was not much.

Q162 **Catherine McKinnell:** Going back to the comment you made earlier about construction, for example, being an area that is under probably more pressure by these changes than perhaps STEM areas, could you just explain how?

Neil Carberry: Broadly speaking, what we saw in August was that if you are operating under the old frameworks, you get less funding per apprentice than if you are operating under the new standards. So the standards, typically you get more. There are reasons for that. Standards have end-point assessments, which can be quite expensive, I think concerningly quite expensive in many cases. But if you have not shifted on to standards, you are going to get less.

Q163 **Catherine McKinnell:** So the funding shortfall will be greater. That is helpful. The message I am taking from your evidence is that you just simply have not had enough time to truly analyse the impacts of these proposed changes for per apprenticeship funding and that there needs to be more time and more scrutiny before this is implemented.

Ben Willmott: The timing and the length of the consultation process was difficult and we are still getting to grips with our members' views on that, to be honest.

Chair: Ian, do you want to finish up with training?

Q164 **Ian Mearns:** Yes. Do the Government's reforms give sufficient attention to in-work training and mentoring? What more could be done to spread best practice?

Ben Willmott: I would say, on the face of it, no. As I said before, one of the ingredients of a successful apprenticeship programme is having a line manager or a coach or someone in the business who can mentor the apprentice. Some organisations will be trying to draw down their levy funding, bringing in more apprenticeships and not necessarily having the capability within the organisation to be able to give those apprenticeships the experience they need and the support they need, so I think that is an area of concern.

Q165 **Ian Mearns:** You think they might have the capacity to draw down the funding, but not the capacity to deliver quality?

Ben Willmott: Yes.

Iain Murray: In some workplaces, trade unions are continuing to play a kind of traditional role they have played over decades, where there was a role for the shop steward to be the mentor to apprentices. That went into decline quite a bit in the 1980s and 1990s, when apprenticeships disappeared from large parts of the economy, but we are doing a lot of work through TUC's unionlearn around how we can expand the support and mentoring individual union representatives can give to apprentices. The important aspect of that is that they are seen as independent, so it is difficult to be a mentor if you are a line manager, I think, because in a way you need to be mentored by somebody who is outside that, who does not have management responsibilities for you. Trade unions can play a highly effective role at that, because they do have a kind of independent role within the workplace.

Neil Carberry: I think from our perspective, Iain mentioned earlier on some people who have been very concerned about the graph the Government continually use about off-the-job training. Training has changed shape: we do online, we do short stuff, we do at-workstation, we do bitesize, so yes, I think there is a case to be made for focusing on increasing employer spending on quality training. The challenge is you have to understand what quality training is and I think the current proposals go too far towards assuming that the only value delivered in an apprenticeship is that which is delivered in the 20% of time away from the workstation, when those of us who have seen good apprenticeships know that it is the 80% of time in the workstation with the mentoring that is at least as important.

There are things we can do quite quickly to address that, leaving aside the wider issues of the design that we have already talked about. One is making sure that it is really easy for employers to become their own provider, to own their own system. The Government have moved a little in that direction; they could move a lot further.

The other is, as I mentioned earlier, allowable expense, so if you are genuinely taking one of your senior shop floor staff away from work for a day to do mentoring, in many levy systems you can claim that back from the levy as well. That would be an incentive to give your apprentices more access to your senior staff.

Marcus Mason: Just to add to that, one of the issues with in-work training and mentoring when it comes to apprentices is that it is often overlooked by the Government in the sense that businesses invest a lot of time in this and it is not recognised as something that they are investing in that is costing them resource and often money. I think better recognition of that, especially given the circumstances now, where we are asking businesses to dig into their pockets to fund apprenticeships, either through levy or co-investment, understanding that cost to businesses and that they are providing on top of that through the training, through the mentoring that they do, is vital.

The second element of it is when thinking about training and mentoring—slightly broader, outside of the apprenticeship programme—the focus on apprenticeship has been great, but at the same time it sometimes feels like it is the only game in town for Government, and obviously businesses train and support their staff to increase productivity in a myriad of different ways. It is incredibly important to make sure that the apprenticeship levy funding can be used to support those other forms of high-quality training.

Q166 **Ian Mearns:** With regard to out-of-work training, how robust and effective are the current arrangements for inspecting providers?

Iain Murray: It was quite interesting what the National Audit Office highlighted in their recent report, which was that given the proportion of training providers where concerns have been raised by Ofsted, the number that were then investigated fully did not seem to equate with the number that should have been investigated. If a school comes up, if your local school gets a bad rating from Ofsted, it is pretty widely known in the local community. If a training provider gets a bad Ofsted rating, it is not in the public profile about it, so I do think that needs to be looked at.

Ian Mearns: Anyone else agree?

Ben Willmott: I would agree with that.

Ian Mearns: Everybody agree with that?

Neil Carberry: Yes. The other thing you could add to that is making sure the quality and consistency of that inspection regime, particularly consistency, is right. Ofsted has a number of roles and it inspects everything from in-work training delivered by businesses who are providers, to preschools. Sometimes it feels to our members that there is a bit of an Identikit inspection regime. A business who is its own provider— it is not a college and it is not a school, it is a different environment and just making sure that the regime is appropriate to that environment is also important, though I would not disagree with what Iain said.

Q167 **Ian Mearns:** Do you think there will be any significant impact or potential impact with more employers becoming their own providers?

Neil Carberry: I think it will be a stretch on resources, but the question then becomes what is the appropriate regime to police employers? It is important to remember that there are very limited incentives for a business whose main job is doing the business that it does to engage in short-cutting on apprenticeships. A lot of the veracity of those schemes can be established by the kind of data that those businesses would share with Ofsted already.

Q168 **Ian Mearns:** That is a fair enough comment, Neil, but at the same time, businesses have to secure their own future workforce, because otherwise it will not just grow on trees, will it?

Neil Carberry: I agree with that. Yes, absolutely.

Ian Mearns: Iain, is there anything you want to add?

Iain Murray: I just think if employers are going to get engaged in becoming providers, we have seen instances where employers have gone down that route and there has been reputational damage for the employer, because I do not think they have appreciated the degree of investment and what it means for the company. I think Government needs to be quite clear with employers, that they are not leading them down a road that is not right for them.

Neil Carberry: One of the most common arguments for an allowable expense regime is you might be better on quality terms to allow firms to have an allowance expense regime than to have firms who need an allowable expense regime go down a route of becoming an Ofsted-regulated provider in order to access it.

Q169 **Ian Mearns:** There is an awful lot of training done by industry that is very, very good, but in many cases there is just not enough of it. The construction industry is a good example: the construction industry, over decades, has trained only about 40% or 50% of its own future workforce needs. That is one of the reasons why we have had a huge influx of trained tradespeople from Eastern Europe, for instance. It is important that industry provides or seeks to provide its own training needs.

Neil Carberry: But it is also proof in the pudding that a levy is not a silver bullet, because of course construction is one of the sectors that has had a levy previously.

Chair: Thank you. That concludes this evidence session. We have done our five questions in 10 minutes quicker than we expected, but you have given some good answers and quick answers, so that is appreciated. I want to thank all four of you for coming today, so thank you very much indeed.

Examination of witnesses

Witnesses: Liz Greenfield, Councillor Robert Light and Iain McIlwee.

Q170 **Chair:** Welcome to panel 2. You heard what our purposes were in holding today's inquiry, so would you like to say who you are and where you hail from?

Liz Greenfield: I am Liz Greenfield, I am the HR director at Pfizer, in the pharmaceutical sector—*[Interruption.]*

Chair: There is a vote, so will we suspend the sitting.

Sitting suspended for a Division in the House.

On resuming—

Q171 **Chair:** Sorry about that interlude. One or two of our colleagues are still en route back but we have allowed 10 minutes and we are quorate so we going to proceed. We are going to finish at 4.00 pm, though, because several of our colleagues have commitments elsewhere in the building.

We were just hearing about Liz, I think we heard where you came from as well.

Liz Greenfield: The life sciences sector.

Councillor Light: Councillor Robert Light, representing the LGA as vice chair of the LGA Cities Board, also a member of Kirklees Council in West Yorkshire.

Iain McIlwee: Iain McIlwee, Chief Executive of the British Woodworking Federation. So the £3.8 billion joinery industry—staircases, doors, windows—and we are very interested in talking to you about some of the refurbishment work that is going on in this building too.

Q172 **Chair:** I will show you my Stanley plane, I just had it with me, and my selection of tools.

Iain McIlwee: I look forward to it.

Chair: You didn't expect that, did you? Okay, is the Government right to place such emphasis on apprenticeships in terms of its skills policy?

Councillor Light: Yes, it is really important. We support the initiative to improve apprenticeships and local authorities throughout the county have all engaged in developing apprenticeships with all the passion for their area. At the end of the day we see that as crucial in terms of our local economies. Improving the skill base of our workforce is all about ensuring our places develop in the right way in the future.

Q173 **Chair:** What about carpentry?

Iain McIlwee: Yes, or woodworking in general, so joinery, carpentry. In our membership, 60% of our members have an apprenticeship. We boast the highest ratio of apprentices in the construction sector, a third of all construction apprentices work in woodworking or trades. So it is very much fundamentally important as a passport into the woodworking industry.

Q174 **Chair:** Do we think they are appropriate for all sectors, Liz?

Liz Greenfield: They certainly have a place and in the life sciences sector we have always recruited apprentices but we also have a place for postgraduates, doctorates. So they certainly have an important place but we want a broad skills mix.

Q175 **Chair:** Do we think there is enough focus on increasing provision in sectors where known skills shortages exist? In other words, this relationship between supply and demand, do we have that right?

Councillor Light: No, I don't think we have. We would say that the weakness of the present proposals is they are not giving that ability for location discretion. There isn't enough flexibility in there. We believe that local authorities should be given a major role in commissioning alongside the partners of the skills sectors.

We accept that the big companies will want to do their own thing but there are a lot of small companies out there who will want to be involved. Local authorities can help in a co-ordinating and commissioning role in making sure the scheme is successful and ensuring quality. When I say local authorities, I am not just saying any other district council I am talking particularly about the combined authorities, which the Government has put so much energy and effort establishing over recent years.

Q176 **Chair:** Now, Robert, the other issue, of course, given that you are a councillor on Kirklees and representing the LGA, is the Government wants to increase the number of public sector apprenticeships, is that something that local government is comfortable with, and can it cope?

Councillor Light: Well, we are doing so. I think our problem with the present targets is the Government's decision to use headcount rather than full-time equivalence. All that means is that targets for local government will be 33,000 as opposed to 24,000. Now, that puts a huge amount of extra cost but also extra expectation on the local authorities. You are all aware of our declining budgets, but crucially our more declining and static workforces, so we have not had the turnover. The flexibility to increase apprenticeships over the last few years has been very difficult because of our declining workforce.

Chair: Ian is going to ask you about sector bodies and decentralisation.

Q177 **Ian Mearns:** I wonder if I could first of all come in on that issue about local government. One of the bees that I have in my bonnet is I was talking earlier on about the construction industry and the construction industry traditionally has not trained enough people for its own future workforce needs. Before mass outsources from local government, a lot of local government did Public Works Department apprenticeship training in construction, which backfilled the industry generally. It seems to me counterintuitive that the Government would still like as much local authority work in particular outsourced but wants local authorities to do more apprenticeship training, if you see what I mean.

Councillor Light: I think local authorities are taking a much more mixed-economy approach. The idea that everything gets outsourced is not relevant, just like everything that is kept insourced is not relevant in the way we do it, it is about partnership approach.

Q178 **Ian Mearns:** Does it not become the responsibility of the contractor to do the training if the whole service is outsourced by the local authority?

Councillor Light: What we are saying is if we have a commissioning role alongside the key partners we can tailor what is provided and the emphasis within our local area to our local skills demand. If you look at my area of Kirklees, we are part of West Yorkshire, it is our duty as a council to look at how we grow our economy. The risks if we do not, given localisation of business rates, is that we will not be functional as a council. So we have an interest in doing that and the idea of growth is something we have to achieve. Therefore, to have all the levers at your disposal to ensure you have the right workplace, because we are not going to get new employers in if we do not have a highly skilled workforce, the idea that we can survive on a low-skilled workforce in the future as a modern economy is just not going to work in my area.

Q179 **Ian Mearns:** Are local authorities, to the best of your knowledge, using the powers that they have under contract specification to get contract providers to provide apprenticeships for training through those contracts—because you can put it in the spec that you want as many apprenticeships provided but are local authorities using that power to the optimum, as it were?

Councillor Light: I think up until now we have done and we can do a lot more. If the potential of the scheme is shaped in the right way for us to do more we would be there. If you look at an area like the West Yorkshire Combined Authority, the work we have done there by setting up hubs has been very effective in supporting those small businesses to navigate through some of the Government legislation so that they get involved in the schemes. With it being a digitally based scheme for the apprentices, some of our actual small businesses are not going to be that IT coherent to tap into all the avenues, whereas the hub support that we provide in West Yorkshire, if that was available in other areas, would help those small businesses take advantage of the scheme.

Q180 **Amanda Milling:** Can I turn to funding, please? To start off, what impact are the funding changes that Government are introducing going to have on your respective sectors?

Iain McIlwee: Could I jump straight in on that one because I think we had some earlier points around the timing of the funding consultation and the time available to unpick it. That clearly created concerns in all sectors. We put it to our members and 60% said it makes them less likely to take on apprenticeships. Bearing in mind we are the heartland of apprenticeships in construction, that is a real concern. So it could be acting as a disincentive in our sector. It also distorts the very nature of the relationships that we currently have—so, how college provision is provided, making it much more transactional and potentially making colleges more short-term business focused than long-term progression focused. That, again, is a concern. If we are forcing colleges to behave like businesses, we are forcing them to think in shorter periods of time, fundamentally upsetting the relationship we have.

How are the funding bands going to allow for capital investment? They might cover the cost of training, they might not, it depends on the college, it depends on the economies of scale. How does it cover the capital investment and equipment that is required? How does it fund woodworking as a course when you are looking at the cost between a workbench and workstation being fundamentally different in terms of floor space within the colleges? Again, we are going to see areas coming into apprenticeships now demanding space within colleges that may well ease out the more difficult to run, higher-footprint courses that we rely on. So, again, we are fundamentally concerned—not just by the bands, the level of funding, the uncertainty around how it is going to be managed within the economy but also the unintended consequence of how it may upset the commercial relationships between colleges and companies.

Q181 **Amanda Milling:** You talked about your members and the 60%, but is it a sector issue or is it a size of business issue? To what extent—

Iain McIlwee: It is a combination of both. Our membership would be made of companies who will pay the levy and companies who will not pay the levy. The majority will not pay the levy. It is a sector issue because by virtue of the way that we have to train and develop our skills, you require space. So, again, there is a sector-specific space issue and the fundamental SME versus large business issue. So it is a combination of both.

Q182 **Amanda Milling:** What would need to happen to make it easier for them to provide more apprenticeships?

Iain McIlwee: To make it easier to provide more apprenticeships? It starts way before we even worry about colleges. It starts right back in the way that the schools and careers advice is given, the infrastructure by which people understand the industries that are available to them. Traditionally as an industry, we have relied on woodworking in schools. We have already seen what is happening in colleges in terms of schools having to act more like a business and areas that take a lot of space are starting to erode. We have seen the erosion of woodworking in schools and now we are starting to see the same in colleges. We have seen poor careers advice and guidance pushing people—competition within schools for pushing people towards A Levels, competing with the local colleges, competing with the local employers to try and retain talent in their particular pipeline. We have consistently seen the quality of applicants for the apprenticeships is going down in the sector, partly because of the way that people are being pushed in schools into different career routes and potentially not fully understanding the opportunities available to them both in terms of joining an apprenticeship and further progression within the sector.

Amanda Milling: The point about careers advice, we did an inquiry recently and so we will take those points adding to what we learnt from that inquiry. Just going to back to the point about funding, can you give the impact from your perspective as well?

Liz Greenfield: So probably in the life sciences we have more companies that will pay the levy but there are a lot of SMEs as well. I guess the concern we have is being unable to use ATAs in the way that we have done so far to employ our apprentices, because under the new arrangement they have to be directly employed to be able to access the levy funding. I do think that will perhaps mean some companies will not increase their number of apprentices.

Councillor Light: Two distinct parts in terms of an answer to that question. The first is as our role as employers. Clearly the impact of a financial contribution for many councils will be difficult. All councils are seeing reduced budgets, some councils are struggling in terms of extra payments and this will mean impact on services by paying into the extra levy. So that is the employer side.

In terms of the local strategic leadership role, then we see it as a great opportunity: a great opportunity to develop the skills market in our areas, to work with partners and influence, in particular the future education sector, into how those places are provided. So, as Iain was saying about the worry about what happens to woodworking through colleges and do they get pushed out for a computer terminal, I think with that local engagement from local authorities we can make sure that the local skill market is maintained and we do not see just the attractive high tech, IT stuff being pushed and we get the full skills. I think we have a real opportunity and the funding available, if we were able to lead or be part of the commissioning process, that would enable us to shape that local market.

Q183 **Amanda Milling:** Did you have another point as well? No. In terms of this one size fits all approach, is that the best approach or would, or should, it be applied in different ways for different sectors?

Councillor Light: I don't think one size ever does fit all. My area is different to yours and will vary again from other colleagues in the room. The needs of our skill market are different in the sectors. There will be a situation where national companies will be able to run their own schemes and we do not have a problem with that from a local government perspective, but being able to set and focus the scheme around the needs of local communities and the needs for our skills is crucial if we are going to make it successful in terms of dealing with quality. If you just want to chase numbers then run a national scheme. If you want to achieve outcomes, change lives and ensure that we get quality, then let the local authorities play a role and shape this for their local areas.

Iain McIlwee: Can I jump in on that as well? The principle of the Trailblazer is very strong but the practical enactment of it means that we still do not have an architectural joinery standard that we have been working on for the past 12 months because the end point assessment has not been signed off. I don't understand why. We have a wood products manufacturing qualification we are trying to get off the ground, but the framework has been disbanded because unfortunately we got lost in the bunfight of frameworks because we did not hit the numbers. We had an embryonic scheme, not something that was established. Now, we have had the standard kicked back three times.

Again, when we are trying to develop the qualifications that provide the resources, the infrastructure, to the companies we are also going down the local route and we appreciate this withering on the vine issue that I mentioned before. We are also working through centres of excellence across the UK and we have established four in pilot. We have an extensive piece of research running in the background on supply and demand matching up. But, again, at the moment, the funding consultation has not really looked at the cost and we only hope that when we look at the standards versus the frameworks that all of this will be taken into account.

Liz Greenfield: So even at the higher end the development of standards and the approval of them has taken a long time. I think sometimes some of the roles are very specific, very complex, types of roles. It has taken a very long time to get those approved.

Q184 **Amanda Milling:** But in terms of the one size fits all levy as well, do you think one size fits all is the answer or should it be sector based?

Iain McIlwee: We use the CITB levy. As a sector about 70% of our members pay into a levy scheme. In principle we support the concept of a levy. The CITB levy has the advantage of covering the wider cost of an apprenticeship, not just the cost of training, it takes about £20,000 to £40,000 depending on how you calculate it, the cost of delivering an apprentice for a business.

Councillor Light: We do feel that local authorities paying a levy in principle is almost like just shuffling the money around in the sector and I think there ought to be more thought about how effective that is in terms of what it is delivering.

Liz Greenfield: I guess being at the higher end of apprenticeships, we would like to be able to utilise the funding levy that will be applied but we are probably on that side where we will not be able to. To the extent it may benefit some other sectors, that could be helpful but we also want to protect, develop and grow the life sciences sector.

Q185 **Chris White:** Standards are very important, and how we raise the quality of apprentices and apprenticeships. How effective do you think the Government has been in passing control to employers for standards? To all of you.

Iain McIlwee: I would refer back to my earlier comments about the Trailblazers because that is where it is supposed to be happening but is not. So, again, the principle is great, the practicalities are that they are not passing standards across because they are kicking back standards that have been written by a sector organisation with the support of our membership. That employer-led approach does not seem to be working, although the principle is there.

Q186 **Chris White:** How do you think that can be finetuned?

Iain McIlwee: There is an element of transparency about what is being pushed through, where the bottlenecks are, and I appreciate there are probably bottlenecks in the system and it is why potentially the levy is running so fast that the system is not allowed to catch up with it. So, again, we have lots of things to put in place. We will have members paying a levy in April but may not have the standards for them to claim the levy against. That, again, defeats the principle for me of the levy and starts the levy off on a bad foot. For a principle that is good and laudable starting on a bad foot is not great.

Councillor Light: When did Government ever fully pass on the controls to anybody?

Q187 **Chris White:** Are you talking about local government or—

Councillor Light: No, controls over policy. When did Government ever do that? They don’t and they haven’t in this case. I think that is where all the weakness is really because, at the end of the day, it comes down to whose interest is it that will drive the whole scheme? There was a feel that interest from Government is more about numbers than it is about quality. The issue for me is if we want to make a difference to our skill market it has to be more focused to quality.

Q188 **Chris White:** Do you think those are mutually exclusive: numbers and quality?

Councillor Light: No, but I do think it is a fair comment to say that you can do both. You can do both, you have to set out to do both, and there has to be a buy-in to do both. What is clear in terms of quality is there needs to be a partnership approach between local authorities as strategic leaders of an area, between the colleges and further education establishments, and between employers. That needs to be a partnership that can work out and make it clear what success looks like and how that is achieved. That will be different not just in each different area but in each different workplace as well. I think we need to be clear about that.

Liz Greenfield: As a company that has been embracing the Trailblazers, it has been a challenge to get the standards approved, particularly for roles that are perhaps not the commonplace. Going forward we would like to see that improved if we are going to be able to increase the numbers of apprenticeship we have.

Q189 **Chris White:** Thank you, I am pleased you both raised Trailblazers because I was wondering what your thoughts were in terms of whether this is just going to suit the larger employers. What about the SMEs, are they going to be left out?

Iain McIlwee: Potentially they could, particularly when you remove the need for national standards. Again, in construction, we are tending to focus on the NVQ route because, to be honest, the whole card system in construction is relying on NVQ. So the access to site, the complexities of breaking that down are pretty horrendous.

The way that the Trailblazers developed without that means that it is far easier to rebadge an in-house scheme as an apprenticeship. Again, it does not help you really if you are looking to produce progression. When we are looking at the wood products manufacturing qualification is that we want to see how far we can take it. We want to look at the progression route. We are doing bags of research on how people move through it and that is fine—finish at level 2, finish at level 3—but people do go on and the funnel gets smaller as people go on. It is how we map that out and how do we support that. If we cannot get over the first hurdle, it is going to create significant problems getting to the next level. We want product design engineers to be developed through an apprenticeship but if the standards are not equivalent, how is it portable?

Q190 **Chris White:** Thank you, that is really helpful. You are talking about progression. How do you incentivise the higher end apprenticeships? How would you incentivise employers to drive towards the higher end apprenticeship?

Iain McIlwee: I don't think you need to incentivise employers to do it in many senses because I think the incentives are there. If you can develop your own and produce the kind of people you need it is incentive itself. What we fundamentally lack is the infrastructure to deliver at the moment and, again, that is where we should be working more effectively with colleges and linking up the wider provision, although there is private sector provision as well that comes into this. But how do we map that through? Again, we are focusing everything on 3 million starts here and we are not giving the system time to develop and look at how we can evolve. As I say, we are trying to do that work to a sense of excellence, we are trying to do that through the research that we are doing, but we are running up against the clock. We cannot even get over the first hurdle.

Q191 **Chris White:** Do you think there are not many other ways to drive the number of apprenticeship up than the way the Government is doing?

Iain McIlwee: Do you know what, I think we forget who the customer is.

Q192 **Chris White:** If we did not say 3 million, if we did not have any target, or said, "Let's another million going over time" would we probably be having the same conversation?

Iain McIlwee: We drew a funnel, a skills funnel, which I think you might have seen in the consultation response, but what drops out the bottom is a retired person who had a rewarding career in our industry. That is effectively what we want to drive and develop. I think what we are forgetting is who the customer is in all this. I know we have talked about careers guidance, but how we pitch things to young learners, how we support them through the system, is what we should be looking at. So 3 million starts is for the birds. What we are looking at here is how we develop rewarding careers that add productivity into our businesses and everybody wins. That is the incentive. We need to develop and evolve our skills base.

Q193 **Chris White:** Thank you for that, that is a very thoughtful answer. Would you like to add to that?

Councillor Light: Yes, just back to the original question of Trailblazers. In terms of what we have been involved with we think that they have been reasonably successful but obviously very light touch and in early stages.

In terms of your concern about big companies, would they want to take more than others? I think almost inevitably, in terms of the present proposals, and in terms of whether they have got the capacity to enable them to develop the apprenticeship schemes how they want them for their companies—the smaller companies do not have that capacity without there being a collective through trade associations, through local authorities, through colleges and partnerships.

Liz Greenfield: I have a slightly counter view on that. The work we did on Trailblazers was very inclusive of SMEs. While some of the larger companies could do more of the heavy lifting and driving it, they were absolutely part and parcel of that consultation and developing those standards.

Q194 **Chris White:** Thank you. I am going to finish off with a wider question. How do you attract more young people and, also, how do you attract a more diverse range of applicants?

Iain McIlwee: The first is by presenting careers. That is what we have to do better, is presenting careers. It is not pointing people in a direction of jobs, it is presenting careers and that is where the whole—the essence behind some of those policies is very strong, but frankly it is the practicalities when you have competing individual elements at that first stage. How are we funding 16 to 18 year-olds? There is a significant cut there. We are looking at a 30% cut for 16 to 18 year-olds. In our sector that would have been less of a problem but we have had a huge uptake, we have had 20% growth in apprentices in the last 12 months, and 10% proportion swing towards 16 to 18 year-olds. So now it is 70% falling into that category.

Q195 **Chris White:** Why was that?

Iain McIlwee: I don't know; this is new data that we have had in the last few days so we need to analyse that but at the moment what we are doing is we are seeing something that is very positive but then we are looking at changing the very funding structure that is potentially driving that forward.

Q196 **Chris White:** Can I ask, if you are doing this piece of work and finding out why this 10% swing is happening, would you mind submitting—

Iain McIlwee: No, I would be very pleased. I got the number this morning but it is 70% of under 19s now as opposed to 60% last year. So it is a big, big swing. It is a very positive statistic.

Chris White: Thank you, and from your perspective?

Councillor Light: Yes, I think Government has an opportunity now that the skills arm of Government work goes back under DfE control because it has to be about the whole education system and not just about different sectors of it. There are a number of other elements that would help what you outline as the objective. The first is for the higher-standing apprenticeships to be promoted in schools. I am talking particularly secondary schools where the drive for the last 20 years has been all about academic achievement and if you do not go to university or college then you are a second-class citizen. That has been part of the educational establishment where it has meant apprenticeship has yet to have the standing that it needs to have in our society.

Q197 **Chris White:** Do you think it is shifting?

Councillor Light: I think it is shifting but Government can do more and schools are probably one of the areas it needs to address with that.

The second area is really to emphasise what has been said about shaping careers and opening minds to the career opportunities that the apprenticeships can deliver and then also having good role models of people who have gone through the system and gone through into higher positions within companies and establishments.

Liz Greenfield: I agree with the two other speakers here. It starts with schools, it also starts with parents, because as we know the image of apprenticeships needs to shift and I do think Government can help to move that, particularly with schools. You have to show the different career pathways that are available.

Q198 **Chris White:** Do you think there is a conflict between schools and apprenticeships?

Iain McIlwee: I do, yes. I honestly believe there is. Bearing in mind that schools have very tight resource—I know new legislation has been passed but with very little enforcement behind it, legislation is useless. So how schools are going to drive people towards apprenticeships is a fundamental question that we are not answering here. We are sat there as a sector desperate to engage with schools, but how? There is no infrastructure, there are no facilities. Every school is different. Everything is different in every region. As businesses we want to develop lesson plans, we have the "Make it Wood" competition. That is reasonably successful but I cannot really advise companies very effectively as a trade body how they can engage with schools because the infrastructure is not there. I know from the schools' side how difficult it is from resource to provide the provision that they need to provide in order to meet that legal obligation. So there is a big mismatch there, a big mismatch.

Liz Greenfield: We have to highlight the higher-level apprenticeships available that are on a degree standard as well to show there is a different way to achieve a similar end and the good careers that are out there.

Q199 **Chris White:** You talk about the degree apprenticeship; do you think that is an area that has potential to explode?

Liz Greenfield: I think it depends on the providers engaging with it. When you are at that higher level of apprenticeships, you are talking about partnerships with universities. I think they have competing conflicts.

Chris White: I just got a funny sign from the Chair so thank you.

Chair: Yes, we are on a slight deadline here, but thank you very much, Chris. Ian, would you like to talk about sector interest groups?

Q200 **Ian Mearns:** You have already talked about you as a trade body, Iain, so do you think there is a particular for sector professional and trade bodies in apprenticeship provision?

Iain McIlwee: Absolutely. We are doing what we can to rally our industry. We act as that bridge between Government and industry, very often helping Government to enact policy and helping our members meet policy demands. So absolutely. We are doing what we can but we could do with more help.

Q201 **Ian Mearns:** Do you think you are a good example and do you think there are other sectors or other trades that should be doing better?

Iain McIlwee: I think we are an excellent example, but there is clearly more we could do.

Councillor Light: The way that can be made to work better is by having that local co-ordination, because many trade bodies do not have the capacity to do it at a local or regional level but local authorities and other partners can do that.

Q202 **Ian Mearns:** Clearly with the demise of heavy industry in many areas and the growth of SMEs backfilling an awful lot of what was done before, a lot of the SMEs do not have the capacity to provide apprenticeships on their own or go to an FE college and say, "I need a course in this for two people or one person". So therefore if you had some organisation at a local level it could provide a hub to bring people together and say, "We now have enough people to do an electrician's course at the FE college"—or the plumber's course or a woodworker's course—but that is not happening across the country is it?

Iain McIlwee: That is the essence of our centres of excellence idea but it is focusing that through the colleges. Again, for us, that puts foot soldiers on the ground to have that better engagement in the local area and gives our members a hub that they can use locally and a network that lets you build up locally.

Q203 **Ian Mearns:** In a nutshell, do you think there is a magic bullet in terms of providing a greater focus on co-operation between employers at a local level? Is there anything in particular that they could be doing to help that?

Iain McIlwee: There is bound to be more we can do, there is bound to be. It is maybe a conversation for myself and Rob after this to see if we can work out a better pathway because it is not working at the moment.

Q204 **Ian Mearns:** Rob, you do you think there is a particular role for local authorities in this?

Councillor Light: Yes, I think so. If you look at West Yorkshire as a combined authority but prior to that as a city region, we were working with a LEP—very much in everything we do we are working with our LEP—and we are working with employers at different stages. The knowledge we have of our labour markets, about the needs of potential employers and the geographical needs of the area we serve as well, is now second to none. We can work with different trade bodies and bring in those that are needed to ensure that we are ensuring the right places are created.

Q205 **Ian Mearns:** Do you think the Government's current approach has enough understanding of significant regional differentials and skills disparities?

Councillor Light: I can't do. It is not a criticism of Government, I just think a centrally based system cannot do it if it is a digital based system run by the Treasury effectively—I am not trying to knock it down—it cannot have that important locality element unless Government is prepared to say, "Look, this is what we wanted to achieve, give combined authorities the power to get on and do it".

Q206 **Ian Mearns:** So what you are saying there—I don't want to paraphrase you—it cannot do, therefore it cannot work.

Councillor Light: No, I think it can but it can be much more successful. It is the potential, there is a huge potential with what is before us today. I believe very strongly, and I think the former Chancellor bought into that, that local areas can shape the local economies much more effectively. Not having this part of the skills agenda in the armoury is going to curtail what can be achieved.

Q207 **Ian Mearns:** In the aftermath of this session, we will obviously be chatting among ourselves, if we think of other questions to ask you, can we write to you, is that okay?

Councillor Light: Absolutely.

Ian Mearns: Thank you very much, indeed.

Q208 **Chair:** I have one quick question that I would like to ask, which is, do you think the role of our Chambers of Trade needs to be more formal and more structured?

Councillor Light: I think that would be helpful, yes.

Chair: Okay, thank you. Thank you all very much indeed. I am sorry that this has been a slightly broken up session and we had to go and have a Division, which did not help. But thank you for your forbearance and tolerance and thank you very much for your answers.