

Sub-Committee on Education, Skills and the Economy

Oral evidence: [Apprenticeships](#), HC 206

Wednesday 2 November 2016

Ordered by the House of Commons to be published on 2 November 2016

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Members present: Neil Carmichael (Chair); Suella Fernandes, Ian Mearns, Catherine McKinnell; Amanda Milling; Chris White; Mr Iain Wright.

Questions 253 - 326

Witnesses

I: **Rt Hon Robert Halfon MP**, Minister for Apprenticeships, Skills and Further Education, Department for Education, and **David Hill**, Director of Apprenticeships, Department for Education.

Written evidence from witnesses:

- Department for Business, Innovation and Skills and the Department for Education ([APP0176](#))

Examination of witnesses

Rt Hon Robert Halfon MP and David Hill.

Q253 Chair: Good morning and welcome to our session. This is the final session on our inquiry into apprenticeships. This is a Joint Committee between what was the Department for Education before it became responsible for FE and universities and the then Business, Innovation and Skills Committee, which now has been formally renamed. Has it?

Mr Wright: Business, Energy and Industrial Strategy.

Chair: That is now what it is called but we are just finishing off our work because, as so many of you know, we anticipated the Prime Minister's very sensible decision to recreate a Department for Education, which was basically responsible for all things to do with learning and skills from start to finish; I think we can notch that up as something of a victory.

The purpose of this inquiry is to gather evidence from the Department on ongoing changes to apprenticeship funding, administration and standards. It is a fairly wide-ranging thing. We have a lot of questions to ask.

For the purposes of the people who are watching with bated breath, Robert, we would like you to say who you are and what you do.

Robert Halfon: Thank you. My name is Robert Halfon, MP for Harlow and the Minister for Apprentices, Skills and Further Education.

Chair: David?

David Hill: I am David Hill. I am Director of Apprenticeships in the Department for Education.

Q254 Chair: Great. Thank you. The Government say their apprenticeship changes will put employers in the driving seat. Another way of looking at it is that you are tying the employers to an unruly horse without much control. What is your view?

Robert Halfon: First, could I say thank you for the invitation to the Committee? As it is my first appearance, I am very pleased to be here and to co-operate and work with the Committee on a regular basis. I welcome the work you are doing on this subject and related areas.

If possible, I would like to set out my priorities before I directly answer your question, if you are happy with that, Mr Chairman?

Chair: I am, yes.

Robert Halfon: I have five clear priorities for this job. We need to improve the prestige of apprenticeships and technical education. We can have a debate about the policies, we can have a debate about funding and standards, but until we improve the prestige—and have a national



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conversation about the importance—of apprenticeships, we will not achieve the number of apprenticeships that we want. The prestige argument is an incredibly important change in the culture of our country and I know that is something the Chair and many other members of the Committee care about.

The second priority, of course, is improving the economic productivity of our country, improving our skills base and particularly helping the socially disadvantaged. We know that roughly 26% of apprentices come from the poorest of areas and it helps people on the lowest incomes to get on what I call the ladder of opportunity; that is an incredibly important part of my priorities.

The third is the working of the apprenticeship levy to make sure that is rolled out successfully.

The fourth is the 3 million target, which we are on the way to achieving. We have had 619,000 starts since May 2015.

The fifth, of course, is not just about numbers—and I know the Committee cares about this very much—it is about quality, ensuring that those apprenticeships are the real quality that employers want.

A direct answer to your question: the whole purpose of the reforms we are doing is to put the employer in the driving seat, to ensure that we fit in with the industrial strategy, to ensure that the apprenticeships fit in with the apprentices that the employers need and to improve our industrial base. All the reforms we are doing—setting up the Institute for Apprentices, the design of the new standards, the reform of technical education across the board, implementing the Sainsbury reforms—are very much part of that strategy.

Q255 Chair: Thank you. One observation would be that training by employers has been falling for about 20 years. The idea that they are going to suddenly turn that trend and point it in another direction is perhaps ambitious. What would you say to that?

Robert Halfon: You make a very powerful point. We need to be honest about the skills deficit in our country. If I can quote you a few what I would call horrifying statistics: we have a productivity gap that, relative to most other European countries, is 18% lower than the G7. We are ranked 22 out of 28 in the European Union for the proportion of employees in vocational training, 18 out of 26 for the number of hours of training. Training has declined over the past 20 years. To take one example, from 2011 to 2013 it declined by £3 billion in terms of what businesses do. Australia, Austria, Germany and Switzerland have three times as many apprentices as the United Kingdom and only 10% of people hold higher level technical qualifications.

We do have a problem but this is why we are doing the reforms we are doing. It is very important not to see reform to apprenticeships by itself;



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we are implementing the Sainsbury review, supported by all parties. We are going to be guaranteeing every person, from the age of 16, a quality technical education and different pathways that they are able to follow.

We could sit back and do nothing. We achieved 2.5 million apprenticeships in the last Parliament. Why create all these reforms? Because we need to answer the questions that you have set out and that I have just set out. We have to put rocket boosters on in terms of addressing these skills deficits in our country. That is why we are reforming the standards; that is why they are employer led; that is why we are reforming technical education; that is why we are making these difficult choices; that is why we have introduced the levy. The levy is not just about raising funds for apprenticeships. The levy is about changing behaviours across the board, especially among the bigger employers. I think that, once they are rolled out, they will have the effect of improving the skills base that we need.

Q256 Chair: Thank you. What is the role that you have in mind for sector bodies and chambers? Of course, one would assume, they will be quite an important interface between businesses and various training organisations. The related question is: do you think they will act as assisters, or rocket boosters, as you put it, for the smaller business?

Robert Halfon: The role of the business organisations that you mention is incredibly important. We consulted heavily with the CBI. While they have some reservations, they have recognised the changes that we made following the August announcement on the levy to what is happening now. We have had a good response from the FSB. They are very important to this. However, the whole purpose of our reforms—and the way we have implemented the levy—is we are incentivising small businesses to have apprenticeships.

A small business with fewer than 50 employees, for example, pays no training costs. All our businesses, for example, if they are employing younger people, those aged 16 to 18, or people with care plans or people from a care home, they then get £1,000 each. We are incentivising the system all the way through to encourage smaller businesses and we are regularly consulting with those business organisations. I don't know if David wants to answer this question.

David Hill: Only to say that one of the objectives of the reforms is to give employers a direct incentive to invest in training themselves. Many employers may well choose to work through sector bodies, as they have done in the past. However, one of the experiences of the past has been, on occasion, that sector bodies bear much of the load of developing training and so on but do not necessarily meet the real skills needs of employers in the workplace. So sector bodies have a role, but part of the thrust of the reforms is to encourage and incentivise employers to become more demanding customers of their training.

Q257 Amanda Milling: Last month the National Audit Office had a report in



which they criticised the Government for not clearly setting out what success looks like as a result of the reforms. So I am quite interested to understand from your perspective what success does look like.

Robert Halfon: Success looks very much like the priorities that I set out in the beginning: do we improve our skills base? Do we reach the 3 million target? Is the apprenticeship levy rolled out successfully? Are we ensuring that quality apprenticeships are being offered to apprentices, and are we raising the prestige and culture of technical education and apprenticeships in our country?

David Hill: If I might add to that, the NAO report did acknowledge that we have some quite rich data in relation to apprenticeships. For example, we have good data about wage returns against apprenticeships at different levels, which show positive economic returns against apprenticeships averaging around an 11% average return on a level 2, for instance. We have good data around employer and learner satisfaction and, increasingly, we will have better data about performance on apprenticeships. Last year, Ofsted introduced a separate measure of apprenticeship quality.

The challenge from the NAO, which we welcomed—we worked very constructively with their team—was around how we use that information going forward. So, we are doing some work to think about building, beyond the headline measures that we have around the Government's manifesto commitment on 3 million—on our targets on raising BAME participation for example; what other measures might we develop in the space of productivity or wage returns; use of destination data and apprentices' progression into the labour market—to build up a more sophisticated picture of a range of different factors.

Robert Halfon: To add to that, David was highlighting level 2: that is, if you have a level 2 apprenticeship, your lifetime wages will increase roughly between £48,000 and £74,000. For a level 3 it is something like £77,000 to £118,000. If you do a higher apprenticeship, your lifetime wage increase is £150,000.

We do regular surveys. There are three figures of 90—they are not exactly 90, some are below and some are above—but, roughly, 90% of employers are satisfied with the apprenticeship programme; 90% of apprentices are satisfied and, more importantly, 90% of apprentices who complete their apprenticeships stay on and get a full-time job afterwards. We are monitoring those kinds of figures all the time.

Q258 **Amanda Milling:** Can I pick up on a few points? First, you have both mentioned productivity. We all know that productivity is a difficult one to measure, because it is also over the long term, so I am interested to understand how you are looking at this in the context of the role that apprenticeships have played and, also, whether or not they are going to improve productivity.



Robert Halfon: We have looked at the statistics on this. To give you what I think is an incredible statistic, a 1% rise in on-the-job training increases productivity by 0.74%. By monitoring the levels of training that we are doing, we will also be able to see the increase in the levels of productivity.

David Hill: Wage returns on apprenticeships are also quite an important measure, in that the fact that we see positive economic returns on apprenticeships at all levels helps us understand that they have a currency in the labour market; they are delivering something employers value and want to buy. Unquestionably there is room to improve and to raise the quality through standards, but, in terms of what we can accurately measure, which tells us something about positive economic impact, I think wage returns are good because they are a measure both of benefits to the individual and of their value and their currency in the wider economy.

Q259 **Amanda Milling:** A lot of apprenticeships do not start at the higher level, so I have a couple of questions about: how do you balance the need to create 3 million apprenticeship starts in this Parliament but also encourage apprentices to go from one level to the next, so going from level 2 but starting that as a programme?

Robert Halfon: We are doing a number of things. We are introducing a transition year, which particularly helps disadvantaged people, that is, in terms of technical education, FE. We have also introduced traineeships, which are a bridge to doing apprenticeships. Something like 20,000 people did that over the past year; 50% of them then went on to do apprenticeships and 60% of those traineeships were 16 to 18 year-olds, so the idea is to prepare them for the apprenticeships.

I have seen examples of apprentices doing maybe a level 2 or level 3 and then carrying on in that company, doing increased levels. I have been to a place in the north-east where the apprenticeship was five years because they went through from early levels to later ones. Also, if an apprentice has a different level and goes to another employer, we have made it possible that they can do a different level with that employer.

David Hill: In the funding announcements that we confirmed last week, we also confirmed that levy funds can be spent to retrain apprentices with prior qualifications, provided that they acquire substantive new skills, so seeking to ensure that there is more flexibility around retraining and further progression. Quite a lot of our communications effort, in terms of perceptions of apprenticeships, is focused on some of the higher level apprenticeships that are emerging, in terms of showing young people, particularly, who might be considering their options, that there are opportunities to undertake apprenticeships in sectors that traditionally have not been thought of as one you would do an apprenticeship in, so around digital, tech, accountancy, or law. We think that shifting-perceptions piece is a very important part of encouraging progression and aspirations through the apprenticeship system.



Q260 **Amanda Milling:** You talked about sectors. There is a bit of a danger that it is like a one size fits all, and not necessarily recognising that apprenticeships may or may not be relevant to different sectors. Can you elaborate in terms of how you are looking to address the requirements and the differences that you see across different sectors?

Robert Halfon: That is why we are developing the standards; why it is employer-led; why we have groups of employers developing the standards; and why we are creating these for apprenticeships, to ensure that the apprenticeships reflect the different sectors and the needs of employers. That is exactly what our reform is meant to be doing.

Q261 **Catherine McKinnell:** It was interesting, hearing the evidence that you gave there. You referred specifically to the increase in productivity that comes from training the workforce but you did not relate it specifically to apprenticeships. One of the concerns that have been raised is that the Government is focusing on apprenticeships, which obviously we all support, but to the detriment of wider and other skills training. What does the Minister have to say in response to that?

Robert Halfon: First, could I congratulate the hon. Member on the work that she did in terms of public sector procurement—I did some of that as well in the last Parliament—because I know she cares deeply about that.

However, I disagree with that premise. First, as I quoted earlier on, we are three times behind other major countries, in terms of the number of apprenticeships we have. All the evidence shows that, if you offer a full-time apprenticeship, there is a huge chance—90% get jobs afterwards and get the skills and the on the job training in that way. Learning and earning at the same time is an incredibly successful route to productivity.

Neither do I accept that we are letting the rest of the skills suffer as a result; in fact, quite the opposite. Apprenticeship reform is not just one part of it. It is part of a branch of things that we are doing under the Sainsbury framework. That is why we are reforming technical education. That is why we are working with FE colleges in terms of the area reviews and working with leadership for finances, and that is why every 16 year-old is going to be offered a state of the art technical education that meets with the needs of our economy.

Q262 **Catherine McKinnell:** The North East England Chamber of Commerce has called it a huge missed opportunity by the Government to develop young people's skills, and there are a number of people who are calling for much greater flexibility with the levy. Would the Government consider that?

Robert Halfon: I have been on a tour of the north-east, visiting colleges, and there was some incredible work going on there. Derwentside College has roughly 5,500-plus apprentices a year. Other colleges I went to are doing incredible work. Many of them have welcomed the levy.



Of course, some people will say we should either delay it or be more flexible with it, but we have to make this reform. Delaying it will delay the chances for millions of apprenticeships. We have to change behaviours in this country, and we have to make sure that employers understand that apprenticeships are a priority for this Government. There is no reason why we should be so behind what is going on in other major countries.

Q263 Catherine McKinnell: One of the examples that has been given to me is of a company that is already well over the national average in terms of their apprenticeship provision. They are providing good quality, and a high number of apprenticeships. Their concern is that the apprenticeship levy will mean they will have to rein that in, because the additional cost and the lack of flexibility in the levy will mean that potentially they will have to reduce the number of apprenticeships they can offer in order to make up the shortfall in other areas of their skills agenda. That was just one argument that was put to me about a general skills levy but also increased flexibility. Has the Government been presented with any such evidence and what do they intend to do to make sure that is not the case?

Robert Halfon: Inevitably, there is a range of views on this. I am encouraged by the positive response we have had from the likes of FSB, CBI and others, and the trade unions, as well as from different colleges around the country, following our announcement of the levy. I feel very passionately about this. I have been passionate about apprenticeships for a long time because I do see the transformative effect that they have. That is why I am very lucky to be given this job.

I am a Ronseal politician; the apprenticeship levy does what it says on the tin. A skills levy could mean a lot of different things. Let me give you an example. I spoke to a company the other day and asked them if they were going to be paying the levy. They said, "Most probably". They said, "Oh, we train people in our kitchens and they are really well-trained". I said, "Do they have certificates and are they on apprenticeships?" The answer was, "No". The purpose of this is to make sure—it does what it says on the tin—that it is clear to employers: we want more apprentices in our country. We had 2.4 million in the last Parliament. We want 3 million this Parliament. We want to change behaviours. We want to make sure that apprenticeships have prestige and are seen as a number one option, along with university and technical education, for people to go and do.

Q264 Chair: On this question of the link between apprenticeships and productivity, one would assume, with 3 million new apprenticeships and the increase in wages, that that would be reflected in an increase in productivity and of course what we want to see is a high-wage economy. Is that something that underpins your thinking?

Robert Halfon: We need to see a fair-wage economy and more productivity; absolutely. While the apprentice wage is just £3.40 an hour,



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the good news is that most employers pay something like £6.30—well over the £3.40—and obviously I want to look at ways of encouraging that good behaviour by employers. So, it is about fair wages and increasing productivity. I don't think you can have one without the other. If you do not have fair wages, then you do not get the productivity anyway.

Mr Wright: Peter Lauener made his first speech with his Institute for Apprenticeships' hat on in Manchester yesterday. He said that previous attempts to reform apprenticeships had failed. Why is it different this time?

Robert Halfon: The much easier option would be for us to have done nothing. We could have had just a levy, not changed anything. I cannot speak for what has gone on before except to remind everyone that we did get 2.4 million apprentices in the last Parliament, which is an incredible achievement. I believe that the reforms, the levy—which is 2% of businesses, remember; that is roughly 20,000 businesses across the UK—will transform behaviours. The levy will help raise the funds that we need. We are incentivising smaller businesses, those businesses outside the levy, in every single possible way, to have apprentices. We are also incentivising the apprentices themselves, through the different apprenticeships on offer. So, I think the reform package is a good one. There is a lot to do, there is a lot of work still to be done, but I think we are in a good place.

Q265 **Mr Wright:** You say there is a lot of work still to be done. I remember Peter Lauener from my time in the Department for Children, Schools and Families, a long time ago now. He is an excellent civil servant, but he is chief executive of three important organisations. Given the importance of the apprenticeship reforms, given the importance of making sure that the Institute is up to speed as quickly as possible, does this not warrant a fulltime job?

Robert Halfon: Peter Lauener has incredible expertise. I note the comment about the hats when he appeared before the Committee. I would say first of all that his knowledge is extraordinary. Secondly, it is important to remember that he is shadow chief executive. I am not saying that to be pedantic, but that is until early next year when the chief executive, the board and a chairman will be appointed to the Institute for Apprenticeships.

Q266 **Mr Wright:** That is an important point, Minister. Could you outline what are the expected timescales and milestones in order to make sure that the Institute is at full capacity as quickly as possible?

Robert Halfon: By April next year the chief executive, chairman and the board will be in place and the Institute for Apprenticeships will be up and running.

David Hill: I can add to that. On Peter's role, two points to add. One is that at this stage of setting up the Institute, one very important area to manage is the transition of certain functions from the SFA, which Peter



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also runs, and the interdependency between SFA systems and the job the Institute is going to be asked to do. So, having someone with two hats covering both is of benefit.

Secondly, alongside Peter's appointment, we also appointed a deputy chief executive, a very experienced Civil Service director, Mike Keoghan, who is full time on this. Mike is leading the day-to-day transitioning plan.

In terms of the milestones, on the senior leadership we have just completed the interviews for applicants for the board and would expect to have the board in place before Christmas. We had a tremendous response to that; very encouraging; almost 300 applications for eight posts on the board; very high calibre indeed. We are midway through the recruitment process for the permanent chair, which we are seeking to conclude to a broadly similar timetable.

Recruitment is happening now in terms of the senior staff executive team of the Institute. Within my directorate, we have a transition team, a set-up team, which is leading all of the work on logistics, location, systems and so on. In terms of drawing in employers and the wider world and how the Institute is going to work, the shadow chair, Antony Jenkins, is planning to publish a strategy for consultation in the next few weeks. That will invite views on the operating model for the Institute, so, for example, how it will involve employers in consideration of different standards. That work will be out for consultation very shortly. That is to make sure that we are actively involving employers from the outset in the way the Institute does its business.

Q267 Mr Wright: I don't want to duplicate what Amanda asked in terms of what success looks like, but what will the criteria for success for the Institute be?

Robert Halfon: The criteria for the Institute for Apprenticeships is to develop quality and develop the standards with the employers—it is independent—and that will be the criteria, in essence: the success of the standards development; the success of the working with employers, and making sure that the quality of standards is maintained.

Q268 Mr Wright: We still have to come on to standards. In his speech in Manchester yesterday, Peter was saying that in terms of being employer-led, that is really important. You have quite rightly stressed that a number of times. However, he said he expects standards but he does not know how many there will be. This seems a relatively late stage in the game. I understand in terms of the milestones that have been outlined but this is very chaotic in respect of this. Employers, who will start to pay the levy imminently, may be thinking, "Well, how am I going to engage on one of the standards that I am operating to, given that I will be paying for this in a matter of months?"

Robert Halfon: At the moment, there are roughly 440 standards in development or that have been developed. By April 2017 that will



potentially support something like 340,000 apprentices. There have already been 4,000 starts and 25% of the frameworks will be drawn by the end of the year, so we are making substantial progress. Once the Institute for Apprenticeships is up and running fully, I think that the progress will continue and we will have the transition to standards over the lifetime of the Parliament, as we have said.

David Hill: If I could add to that. As the Minister alluded to, the development of standards and standards being available for employers to use is not a new process. It does not start when the Institute is established. The functions of approval of standards and the testing of standards are currently carried out by the Department. That is happening all the time. We have had over 1,400 employers engaged in the Trailblazers designing those standards. So, it is not a new process. As I think the Chair mentioned in his opening question, these reforms will take time to scale up. There absolutely needs to be an orderly transfer of some functions from the Department to the Institute, but those functions exist now and are being performed to a high standard and we need to manage that as the Institute comes on stream.

Q269 **Mr Wright:** David, you said, "It will take time to scale up the reforms". Given the remarkable change in institutional architecture and the need to ramp up apprenticeship numbers, aren't you concerned, Minister, that you are trying to do two things and that one needed to be put in place before the other?

Robert Halfon: I think we are doing the things that are needed. If we have 400 standards either developed or in development, with the potential to support 370,000 apprentices next year—and we will continue on that pace and faster once the IFA is fully up and running—I think we are doing what is required.

If the Committee does not mind, if I could just look at some of the areas where we have standards in development: agriculture, environment, animal care, business administration, construction, catering and hospitality, childcare and education, creative design, digital, engineering and manufacturing, hair and beauty, health and science, legal, finance and accounting, protective services, sales and marketing, procurement, social care and transport. If you make a quick comparison with the framework coverage—and clearly it is not the best guide while we are forming them, but it does not reveal any whole-sector gaps—there is more work to do in this, but we are making these big reforms and we are on track.

David Hill: A couple of additional points, if I may. I would absolutely accept there is more we can do to support employers in speeding up the development of standards. The development times are coming down. The Trailblazers, when they started, were set up as a pilot to learn lessons from. So the development times are coming down but we do need to do more. We have recently increased our capacity—our relationship-



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manager teams, who work with employers and Trailblazers on standards development—so we can focus more dedicated support on that.

On the point about the pace of the reforms as a whole, it is a fair challenge. There is a degree of change across funding, governance and quality that employers and providers have to adapt to. One of things we did in the funding package announced last week was to extend the period in which levy funds can be used before being recycled from 18 months to 24 months. That is precisely because we recognise that it may take some time for employers to adapt to the new system and to work out how best they want to spend their levy. As we progress these reforms, we are seeking to listen to what employers and providers are saying and, if we can make sensible adjustments to give them more time to prepare, that is what we will aim to do.

Robert Halfon: Going back to your question, the extension from 18 to 24 months, we were clearly listening to the sectors, the CBI and so on, which is why we made a move on that.

Q270 **Chair:** The decision about Trailblazers: let's just probe that a bit further. Obviously the pace has been a bit slow. You have mentioned one or two issues around that, but is there a sense in the Department that you have to learn from that experience and apply it to this next phase of policy reform?

Robert Halfon: There were 202 Trailblazers, involving about 1,400 employers. I think Trailblazers are successful; that they are working. But it goes back. We are making substantial progress. When the Institute for Apprenticeships is up and running they will then take full control of the process and I think we will see significant progress made.

Q271 **Chair:** Have you learnt any obvious lessons from the Trailblazer programme so far?

David Hill: Yes. It is fair to say we have learnt a huge amount from the Trailblazer process. We have learnt quite a lot in terms of ensuring that standards are not too narrowly drawn.

Q272 **Chair:** They have been in the past, haven't they? That has been a criticism.

David Hill: It is fair to say that, in the very early days, some of the standards that came forward initially were probably too narrowly drawn. In our ongoing dialogues with Trailblazers, that is something we can address now and, as the Institute is established, it will have a much better body of evidence about what works to be able to have a constructive conversation with employers who are looking to develop new standards, to say, "Don't reinvent the wheel, because we have seen something over here that is fit for your purposes. Use that or use some element of that".



The Institute can be a bit of a candid friend to employers who perhaps are getting into this territory for the first time, to help them draw on what has gone before. With Trailblazers, it is a process of continuous improvement around understanding from things that have or have not worked so well. We have also learnt quite a lot about how we can streamline our processes. The average approval time for standards development—including all the work to consult and engage employers—has come down from around 278 days, pre-election, to 203, post-election, admittedly, looking at different sizes of samples, but there is room to go further.

What has been interesting to me is having Antony Jenkins as shadow chair of the Institute. He obviously brings a wealth of experience as the previous CEO of Barclays Bank. He comes at standards development very much from a perspective of: how do we deliver an excellent service to our customers—in this case, employers? Having that expertise in the Institute and thinking about how we can make the processes involved in getting standards approved as intuitive for employers as possible, will be really important.

Robert Halfon: The important thing is that, when the IFA is set up, the standards are not going to be set in stone, so they can be improved or made wider. We are looking at one in engineering/aerospace at the moment, for example. That will happen. That is the whole purpose of the IFA.

Q273 **Chair:** You used an interesting phrase, David, in answer to my question, which was, “candid friend” for the role of the Institute. Could you give us a bit more detail about that particular relationship that you expect the IFA to have?

Robert Halfon: The important thing, although the whole thrust of these reforms is employer-led, is that the IFA is independent. It is not just there to do everything the employers want. It is independent. It is there to make sure that we get the best quality standards for those apprenticeships. I think that is what David is talking about when he is using the words “candid friend”.

David Hill: Essentially, yes. We are designing the Institute in such a way that, of necessity, it will have to draw on the best professional expertise in different sectors, different employers, and actively involve them in essentially peer reviewing what comes forward in terms of standards in their sectors, so it is really about the Institute performing those functions in a way that draws on the different skills and experiences of employers in different parts of the economy. It has quite an interesting challenge before it, in that some sectors—engineering, for example—have a long and proud tradition of very high quality apprenticeships. There are other parts of the economy that have less tradition, or indeed no real history.

Q274 **Chair:** I take that point, but Robert announced five priorities and one of them was to increase the prestige. The prestige is likely to be increased



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by a number of things but one of the most obvious is the guarantee of quality. So, is the Institute going to be a candid friend, giving advice about how to go through the processes, or is it going to be saying, "We need to see some improvement here because the quality is not high enough"? That is the question I want to ask.

Robert Halfon: You have hit the nail on the head. Of course it is an employer-led system but the whole purpose of it is to drive up quality, and that is why we are creating the Institute for Apprenticeships and hopefully—

Q275 **Chair:** My question is about how you are going to get that to happen.

David Hill: I understand your question now. I misinterpreted it before. In talking about the Institute as a candid friend, I was not seeking to imply that somehow its job was to help employers get their standard approved. It will have lots of experience and expertise to make it a simpler process, but, ultimately, the Institute is the body that has to satisfy itself that what is coming forward is of a high standard and meets our minimum requirements around quality, duration, off-the-job training and so on. That is the function that Government have legislated for the Institute to have.

How do we make it happen? Part of it is about the calibre of the leadership, the calibre of the chair, the calibre of the board. As I say, we are midway through that process but I am confident we will put together a very authoritative, high-calibre board of people with deep, deep experience across a range of sectors. Part of it is about transparency and about it being accountable for the work that it does. For example, in relation to its role advising on funding, its views will be published and the Government will have to respond publicly if they disagree. Part of it is about resourcing it properly and making sure it has capacity.

Q276 **Chair:** Fundamentally, this is going to be an organisation that is going to have the capacity, the desire and the tools, to make sure that quality is uppermost.

Robert Halfon: That is the whole reason it is being established in the first place, otherwise we would not have established it.

Q277 **Chair:** Yes. What we are trying to define here as part of this inquiry is what it looks and feels like.

Robert Halfon: This is the whole reason—you have hit the nail on the head, in essence—why the organisation has been set up.

Q278 **Chair:** I am going to get my hammer out once more. I feel like Mark Twain. What is the Government's feeling about framework-based apprenticeships as opposed to standards-based apprenticeships, and do we not think there are perhaps too many framework-based apprenticeships under way at the moment as opposed to standard-based?



Robert Halfon: It is not so much that there are so many frameworks as there are many different pathways within those frameworks that have, in essence, over the years been like a spaghetti junction for employers in terms of understanding them and in terms of qualifications. The important thing is that the frameworks are going. By the end of the Parliament, the frameworks will have gone and they will be replaced by the standards.

Q279 **Chair:** Can you give us any sort of details about the trend for that to happen?

Robert Halfon: If I give one figure, by the end of this year, 25% of frameworks will have gone.

David Hill: About a quarter of the 212 frameworks will have been withdrawn by December. We are planning to consult shortly on the timetable for the next phase of withdrawal of frameworks, and that consultation should come out shortly.

Q280 **Ian Mearns:** Minister, you have already read out a number of areas where you think assessment standards will be in place, but we believe that fewer than half approved assessment standards currently have an approved assessment organisation to underpin them. What are you doing to expedite this process, and what happens to standards without an approved assessor?

Robert Halfon: Thank you for the question. First of all, it is important to note that 100% of apprentice starts have assessment plans, because you cannot have an apprentice start without having an assessment plan. The figure actually is 60% of standards have an assessment organisation in place. That figure goes up from 60% to 94%, if you include assessment organisations either about to be registered or within 12 months of the gateway of the end of the apprenticeship. I think David can give you the details of the 60%.

David Hill: If it is helpful to the Committee, I can say a little more. I know there were some recent articles that suggested that there were some 2,000 apprentices who might find there was no endpoint assessment organisation in place. The Minister was looking at all starts on standards, looking specifically at apprentices expected to be ready for their endpoint assessment in the next 12 months. Our analysis is: of those, 1,737—which is 86%—already have at least one endpoint assessment organisation ready for selection. That leaves another 278 apprentices, and we have gone through exactly the status of those apprentices on different standards, and there are a number of different standards.

I will not run through all of them, but just to give you a flavour of the issues in each case. For three of those, covering 40 apprentices, we have organisations very, very close to being approved and we are working with those organisations to get them on the register. In another case, one of



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those standards is an integrated degree standard with 45 apprentices on it, and we are in active conversations with the relevant higher education institutions to get them on the register. We have looked hard at this. We are confident that we have a plan in place to make sure that there will be full coverage.

Looking forward, it is very, very important that as more apprentices are on standards there is no question of them not being able to complete because of a lack of endpoint assessment organisations. That is why we are working with organisations—like the Education and Training Foundation—to help improve provider understanding of what is in fact a new market and develop their preparations for that. I hope those figures are helpful to the Committee.

Robert Halfon: Significant financial resources are being put into this. There is a huge amount of stakeholder engagement as well that is going on. I don't think the picture is quite as bleak as it has been painted in some areas.

Q281 Ian Mearns: We have gone from a position not very long ago where fewer than half approved standards had an approved assessor. We are now at 60%, working towards 94%. That begs the question: with those new registrations—and there will be a number of different organisations that will be providing endpoint assessment—how are we going to ensure that they will all be assessing in the same way and to the same standards?

Robert Halfon: First, it is important to note that, even where there is not an assessment organisation yet, we are pretty sure that by the time they finish their apprenticeship, which could be one or two years, they will have the assessment organisation in place. Huge amounts of resources are being put in, in terms of working with the providers. A lot of work is going on with the employers to make sure of that. The different industries have slightly different assessments, and different standards will have different assessments, although all the assessments will be graded.

David Hill: If I could just add two points, one is that having a register of assessment organisations is important because that is one of our tests. In order to be approved to be an assessment organisation, you need to pass certain tests to get on the register in the first place. Then another important feature of the process is external quality assurance of the assessment. Another body will need to quality-assure the work of the assessment organisation, and that could be the Institute or it could be Ofqual or it could be another professional or employer body. Employers will have a choice about who does that, but that is an important feature of the system to ensure that we are able to be satisfied on your point about consistency, that it is being done consistently to a high standard.

Q282 Ian Mearns: You will have time to do that for endpoint assessment, but for some trainee apprentices, if they get to the point of endpoint



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assessment and what they have had delivered to them thus far has not been of good quality, that is going to be quite a difficult time for them. What are we doing in order to make sure that the actual training provided via the employer or by a training provider on behalf of the employer is of good quality? How is that being assessed?

Robert Halfon: At the beginning, first of all, there can be no apprentice start unless there is an assessment or plan in place. The whole purpose of the IFA is to look at the quality, but also the provider will be monitored by Ofsted to make sure that the provider is providing the quality education.

Q283 **Ian Mearns:** Are you completely confident that Ofsted is geared up to make sure that the vast majority of providers that need to be looked at will be assessed by Ofsted and monitored by Ofsted?

Robert Halfon: I have every confidence in Ofsted, but the IFA will play a role in this. Ofqual will also play a role. There are important qualification bodies that will be looking at everything from beginning to end to ensure that we get the quality apprenticeships that we need.

Q284 **Ian Mearns:** Is there anything that we can do to remove the risk that endpoint assessment could lead to 'teaching to the test' style training, so you are getting good-quality training rather than youngsters being sent to pass a test?

Robert Halfon: Yes. The way we have changed apprenticeships is, first, they have to be employer-led, so they have to be employed by an employer and 20% of the time has to be off-the-job training. We are ensuring at every level that those apprenticeships get the quality that they need.

David Hill: One of the criticisms of the system we are moving away from is that we did see too many examples of tick-box tests against qualifications, the multiplicity of different qualifications that did not necessarily carry a great deal of labour market currency, and you found apprentices who might have passed their test but were not competent to do the job they were being trained in. One of the principles of endpoint assessment is that it is an assessment that is designed around testing the skills, competence and behaviours that someone needs, and if they have done an apprenticeship, they should be competent in the job at the end of their training. The fact that the employer can select their endpoint assessor, and pay for that with their levy funds, is important in the employer getting value for that money. The employer will want to know that they are buying a rigorous assessment.

Q285 **Ian Mearns:** In terms of jobs being advertised as apprenticeships, are we absolutely confident that, in the new landscape, it will be impossible for employers to advertise the job as an apprenticeship just in order to pay a young person a much lower apprenticeship wage than the minimum wage?



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Robert Halfon: Yes. Of course, it is a very important point, and you can never, ever stamp out every form of abuse, but where we find it we will be pretty rigorous on it. The new system: they have to be employed. They cannot just designate someone as an apprentice. They have to be either under a framework or an apprentice standard. That is monitored by the different qualification bodies that I have mentioned. They have to be assessed. They have to get a grade. Employers will not be able to get away with just rebadging people and having what might be called cheap labour.

Also, just to praise employers, I think many employers realise the value of apprenticeships. I think very few will try to do that. The surveys show that apprentices are more loyal to the employer that they have done their apprenticeship with than often other forms of training. Given the satisfaction employers show with the apprenticeship programme, I think the vast majority of employers will give their apprentices the proper quality apprenticeship that they need.

Q286 Ian Mearns: In order to secure that, though, would your Department be doing any work with the Department for Work and Pensions to make sure that vacancies that are advertised through Jobcentre Plus, for instance, are properly accredited and properly seen through as proper apprenticeships? I have had young people in my constituency directed by Jobcentre Plus to jobs that were an “apprenticeship”, and after 12 months they were let go because after the 12 months they would have been entitled to a higher rate of pay.

Robert Halfon: We will stamp out abuse. It is carefully monitored, and the new standards of qualifications make it harder for them to do that. If there are examples of what you are describing—there will inevitably be some, but I suspect it is a minority rather than a majority, given what I hear from employers regularly when I am up and down the country—we will deal with it. You might talk about providers, because the providers are paid in arrears anyway, so it is going to be hard to abuse the system in the way you described, although there will inevitably be some cases.

Q287 Ian Mearns: I thank you for that, Minister. I am convinced it is genuine, but we do need the Government Departments to work together to make sure that that sort of abuse is stamped out, because it is clearly an abuse. For the young person concerned, they are just a statistic to the Department or to the employer, but it is—if not a wasted year—quite often an unpleasant year as well.

Robert Halfon: You make an important point. I am in regular discussions with the DWP Minister, Damian Hinds, where we overlap, and I will take another look at this because it is an important point. It is also important to mention that, with the new digital apprenticeships service, all the apprentices will be on there and they will be approved. Where abuse occurs, we will stamp it out. It is important the Jobcentres are kept informed and keep an eye on things as well, and I will raise the point that I think it will be a minority, not the majority.



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David Hill: It is also worth noting, without wishing to over-rely on the effects of the levy before it has been introduced, as the levy comes in, it becomes an increasingly perverse thing for an employer to do if they have spent a year investing their own levy money in an individual, with all of our quality requirements around the minimum levels of training and so forth, to then let them go after they have invested that money. There is no guarantee that that will not happen and we need to stamp it out, but the system we are moving to means employers have more of a direct incentive to stick with the people they have invested with.

Q288 **Ian Mearns:** I can understand that, but unfortunately the system so far has allowed some employers to abuse the system, so we need to stamp out that abuse.

David Hill: I agree.

Robert Halfon: I will discuss this with the Minister.

Q289 **Chair:** Can I ask two questions on the back of Ian's questions? The first is about Ofsted. Ordinarily, it is inspecting schools, FE colleges and so on: formal, structured organisations. There is an increasing role for it to move into the private sector. Do you think that it will need to think carefully as to how it adapts to that new process that you have effectively accelerated for it?

Robert Halfon: Ofsted looks at the providers of frameworks at the moment, so I think it will be a continuation. It will have the support of the Institute for Apprenticeships because of the monitoring and design of the quality that they are going to do. I don't see that there is a need for a new role, if that is what you are saying.

Q290 **Chair:** No, I am not. I understand what the role is now. If your plans end up being realised, Ofsted is clearly going to have a bigger role and a more intense role in the private sector, territory that it has in the past been less familiar with.

David Hill: There are two questions here. Ofsted already inspect private providers, but I think you may be asking about more employer providers.

Chair: I am asking that, yes, because that is obviously what you are going to be doing. We have been discussing that for the last hour.

David Hill: I think Ofsted already inspect somewhere around 75 employer providers. It is quite likely that we may see more employers wishing to become providers in the future, and that is one of the issues we are working on with Ofsted, which is: what lessons have they learnt from their experience of working with those employer providers? Can we also get feedback from those employer providers already in that territory to make sure that the service Ofsted offers is well understood by other employers? I think probably it is not well understood at the moment, and one of the things we have worked on with Ofsted is just being very clear



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and transparent about what is involved in an Ofsted inspection if you are an employer provider.

Q291 **Chair:** That is just it, is it not? You have to be absolutely sure that the employers—the private employers in particular—are going to be au fait with the ways of Ofsted. Of course, Ofsted itself, both with its relationship with the Institute and its current positioning and purpose, is going to have to be certainly modified.

David Hill: You raise a very fair question, and we are working on Ofsted around exactly those issues. Seventy-five employer providers is not a huge number in terms of respective large employers who will pay the levy in the future, so there is a job of work for us to do here, which is working with Ofsted to make sure that it is well understood exactly what an Ofsted inspection entails.

Q292 **Chair:** Yes. I do not want to detain you too much, but there is another organisation that we need to think about, and that is Ofqual. It has recommended, and I am going to quote, “There should be agreed approaches to managing the standards of apprenticeship endpoint assessments to ensure some commonality of objective between external quality assurance options”. That is quite an important point. Do you agree with it?

Robert Halfon: I do not have a problem with it. The IFA and Ofqual will work together. I don’t see this as a duplication point. I see it as a strengthening, going back to some of the issues that have been raised. The closer the Institute of Apprentices, Ofsted and Ofqual and—in terms of degree apprenticeships—the student inspector body, work together, the better it is for businesses, employers, providers, and most importantly the apprentices.

Q293 **Chair:** Yes. David, do you have anything to add?

David Hill: Not a great deal to add to what the Minister said. I think you had Peter Lauener and Sally Collier here at your previous hearing.

Chair: We did.

David Hill: Both of them absolutely understand the importance of their respective organisations working together to make sure that the quality system is seamless.

Q294 **Chris White:** I just want to talk a bit more about the levy. As I am sure you know, the CBI has asked for the introduction of the levy to be delayed. The Chartered Institute of Personnel and Development expressed concern that the introduction of the levy may lead to potential gaming. An ADS—the Aerospace Defence and Security industry—trade body sought to have the option to pass the levy or pass this through the supply chain. Do you think that the one-size-fits-all approach is suitable for all sectors?



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Robert Halfon: We are not going to delay the levy. As I said, that would create a huge amount of uncertainty. It would potentially delay the prospect for hundreds of thousands of young people to do apprenticeships. In terms of the supply chain issue, we have looked at that and we have said that after the first year we will consider very strongly 10% of the levy going to the supply chain. Just to reiterate, in terms of the re-announcement of the proposals last week, there has been significant movement from many of the businesses who have recognised and paid tribute to some of the changes that we have made. The levy, as I said earlier, is a Ronseal levy. It does what it says on the tin. It is going to change behaviours. To start to change it for different areas would be incredibly complicated, and the way that we have done it, and planned to do it, will bring the reforms and the increased number and quality of apprentices that we need.

Q295 **Chris White:** I understand your first comments about this were that it would delay the hundreds of thousands of people taking up apprenticeships, but don't you take the considerations and the concerns of the CBI—it represents an awful lot of businesses right through the sectors—into consideration?

Robert Halfon: Of course. In fact, I met with the CBI. Again, look at their comments, since our announcement last week, compared to what was said previously just to the confirmation of the apprenticeship levy funding. This is the CBI director, "The confirmation of the apprenticeship levy funding rules demonstrates that the Government have listened to some of business's concerns, and will now enable firms to better plan their training and recruitment. Employers will be encouraged that they now have 24 months, rather than 18 to spend their levy fund".

This is something the CBI has called for. It is also promising that the Government have committed to working together with business on a new approach where they can pay for training and supply training. They have concerns, which are later on in their passage—which I accept—about the implementation, but I think we have listened very, very carefully.

With the August announcement, I had the pleasure and the delight of going through it on my honeymoon in the mountains in Brazil, and I was very clear at the time that this was a consultation. We were there to listen to what businesses, providers and all other kinds of organisations said about it, and that is what we did last week. I think we have made some substantial movements in terms of what business was asking for.

The one thing we are not going to do is to delay the levy. We have said apprentice funding will double by 2020 to £2.5 billion. That will not happen if there is a delay.

Q296 **Chris White:** I am sure the Committee is delighted that this is what you were discussing on your honeymoon.

Robert Halfon: Not discussing. Making sure we got it right.



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Q297 **Chris White:** Thank you. I would go back to the point: do you expect unintended consequences of what is considered as perhaps the inflexibility of the levy would discourage a number of employers from taking on as many apprenticeships as they would ideally like to take on?

Robert Halfon: No, I don't. Of course, as the levy rolls out over the year, we will look where their problems may occur.

Q298 **Chris White:** On that point, do you envisage having an early review?

Robert Halfon: We are going to be looking at it all the time. It is very important that we look at how it is working over the year, from April 2017, and to see where there are issues that we have not yet foreseen.

David Hill: On the supply chain point—

Chris White: That is the next point, so thank you.

David Hill: —as an example, we are kicking off now a group of employers involving CBI and others to do some of the technical work: how could we introduce supply chain transfers in a way that meets employer needs but also protects the public pound? You also mentioned gaming, and we need to be confident that, if we introduce that, we manage potential risks around tracking where funds are in the system carefully. That work is kicking off now. We expect that to take a few months. We do not have the technical capability in the digital service because we had to spec that some months ago.

In the core service, the functionality to support that will not exist when we introduce the service in April. If we conclude that there are robust ways of implementing transfers, then that is an example of something we could seek to bring in during 2017-18 and not have to wait for the start of the next financial year.

As the Minister says, we have also given a commitment, for example, on the funding around support for apprentices living in disadvantaged areas, that we would review that approach during this year. That is another example of something that I would expect to see further development of a position on that as we announce future funding arrangements in future years.

Q299 **Amanda Milling:** For a whole wide range of reasons, getting smaller businesses to take on apprentices can be quite challenging. We have heard that asking smaller companies to contribute towards the cost of training might also prove another disincentive for them to take on apprentices. From your point of view, is this a risk worth taking when the Government are going to be making a very significant contribution, around 90%? Is it really worth that risk?

Robert Halfon: That is an important question and I have thought about it a lot, but I have come to the view that if we want real apprentices—and this goes back to the question that Mr Mearns talked about earlier—then it is important that businesses make a contribution towards the cost. To



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say, for example, pay 10% of the cost of training—I am talking about businesses outside of the levy—I don't think is unreasonable, and it will hopefully stop some of the abuse that Mr Mearns was talking about earlier. It is very important that these apprenticeships are real and that employers buy into it.

Having said all that, we are introducing huge amounts of incentives in the system. If you are a smaller employer, below 50—it is often smaller employers that employ apprentices—there is no training course for 16 to 18 year-olds, for example, or for people on a care plan, or for people who come from care homes. For everyone who employs a 16 to 18 year-old, the employer or provider will get £1,000. We are building incentives into the system, and we are asking smaller businesses to make a modest contribution to it. It is important that businesses buy into it and that it helps ensure we get the apprenticeship quality that we need.

David Hill: It is also worth noting that, when the funding arrangements were announced last week, the Federation of Small Businesses commented, "For most of our members with apprentices, therefore, the new funding model represents a positive step. It also means that the 24% of businesses currently without an apprentice but considering taking one on in the future will be incentivised and supported to do so". We have worked closely with the Federation of Small Businesses throughout. They are on my stakeholder board that we regularly test how we are going to implement this with. There are definitely some challenges around small businesses taking on apprentices, but we have worked hard to try to address their concerns.

Robert Halfon: What David just said in terms of the FSB, this announcement comes as good news for small firms and will underpin the apprenticeship levy.

Q300 **Amanda Milling:** One of the things that certainly smaller businesses say to me, when I go out and talk to them, is that one of the challenges and one of the barriers to taking on an apprentice is the amount of additional time it takes in terms of their resource, and that is not necessarily factored in. I wonder what your views are on that, and how can we address this?

Robert Halfon: We have a lot of incentives put into the system, which I have described, and that should help. Whatever incentives there are, there will always be some resource needed to train the person, because the whole idea about doing the apprenticeship is that you earn and learn at the same time, and in return the business gets a skilled employee that the surveys show will most likely stay with them. The vast majority of them are much more likely than other people who do other kinds of training schemes to stay with the company, and are very loyal to the company. With the incentives we have built in, I think that will help, but, as I say, businesses need to buy into this. It is not just a question of a freebie from the taxpayer. We are doing this because we want to upskill our country both through big business and small business.



Q301 **Amanda Milling:** In terms of the co-investment, how are you going to evaluate the impact, and how are you going to assess whether it has been successful and whether it needs to be changed in any way?

David Hill: We will be gathering data, as we do now, around levels of uptake of apprenticeships for businesses of different sizes. We will use that to monitor numbers of apprentices coming through in the smaller business sector. We will seek to break that down both for businesses that are not levy-payers but are larger than 50 employees, where co-investment applies, and look at patterns there compared to patterns where co-investment is disappplied for the very small businesses under 50 employees, where they take on a 16 to 18-year-old. We will have more and better data coming through as we develop the digital system, and we will use that to make an assessment of the impacts of all of the incentives the Minister has been talking about.

Robert Halfon: There are a huge amount of—I see them all the time—surveys and reports looking at the numbers, looking at the employment, looking at the effect on productivity, looking at the kinds of companies that are hiring apprentices. That is the way we will be evaluating. It is not about having it once a year or whatever. This is constant evaluation going on all the time.

Q302 **Amanda Milling:** How long is the co-investment rate of 90% guaranteed for?

Robert Halfon: That is applied to frameworks. That will apply for the frameworks and the standards, David, just to clarify?

David Hill: Yes.

Robert Halfon: Yes. Co-investment is there permanently at 10%.

David Hill: That is correct. I think we will keep all of the funding parameters under review, in the light of what we learn about uptake and response. As the Committee was probing earlier, it is difficult to anticipate how employers and providers will adapt and behave in a new market, and that is one of the reasons why the evidence we gather and the data we collect over the next year will be so important, so that we can make judgments about the impacts of a range of different incentives and, if needs be, reconsider them.

Q303 **Amanda Milling:** Going back to 90%, going back to my initial question, which is we are asking for a contribution from smaller firms, so they will be looking for some commitment and have the confidence that this is for the long term. I am just going back to my point in terms of guarantee.

Robert Halfon: Sorry. I was initially confused with another issue, with frameworks, but the 10% is the policy. There are no plans to change that. Of course, as you said, we have to evaluate. Is it working? Are we getting the apprentices that we need? Is it helping small businesses employ apprentices? While it is not cast in stone, it is the policy.



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Q304 **Mr Wright:** Can I take you back to funding? Were you shocked by the level of opposition to the funding proposals?

Robert Halfon: Do you mean when they were first announced in August?

Mr Wright: Yes.

Robert Halfon: I know this because I remember it well when I was away over the summer.

Q305 **Mr Wright:** You sound like you had a lovely honeymoon.

Robert Halfon: I did. It was lovely. What we said was this, "This document sets out our initial proposals for apprenticeship funding in England from May 2017. We are inviting feedback on these proposals and we will use the summer to test them, including how they support the Government's emerging industrial strategy. We welcome feedback from employers and training providers and will consider their views before aiming to confirm the final apprenticeship funding arrangements in October". It was a genuine consultation. It was genuine listening, and I was very clear when we announced in August that that is exactly what we will do, and I would say—we have tried to set out some of those things today—it is exactly what we have done.

Q306 **Mr Wright:** Was it anticipated in the system, following August, that there would be some sort of different scenarios that you had planned for in the light of consultation, level of opposition and all of that?

Robert Halfon: You cannot win as a Government or as a politician because, if you announce a genuine consultation and then you make the changes, everyone says, "Oh, that is a U-turn", but if we had not moved on anything then you would be here before me, saying, "Why haven't you listened to the consultation?" It was a genuine consultation. I read out the statement that we put out at the time, and I wanted to hear what everybody said about it. I have listened very carefully. David and his team and the officials have been working incredibly hard to make sure that we now have an announcement that most reasonable people are happy with.

Q307 **Mr Wright:** In terms of the transitional measures that have been announced, it says—I think I am quoting directly—you propose to "conduct a fuller review". You have touched upon that to some extent this morning. What does that look like? Does that not inject more uncertainty into the entire system?

Robert Halfon: No. This is just about the disadvantaged payments. Under the initial proposals, we were going to not have the £60 million that was going to the disadvantaged. We have now reintroduced the £60 million and simplified the system in terms of ensuring that we get more apprenticeships from deprived areas.



What I have said and I am very clear about is that that will last a year, because I want to look—and we are undergoing a review as we speak—very, very seriously about how we can get the most disadvantaged people to take up apprenticeships. I have to say that is one of the main reasons why I want to do this job, because, as I said at the beginning, I believe it is the ladder of opportunity for the socially disadvantaged, and I want to look at a range of issues. What is the best way? We are going to be listening. I am very pleased to listen to the ideas of the Committee, but we are listening to all kinds of people to ensure that in a year's time we have a better policy to make sure that those who come from disadvantaged backgrounds or face difficulties in their lives are able to take on the apprenticeship opportunities that we are offering.

Q308 Mr Wright: In your funding document it says, "Employers can negotiate the best price for the training they require from a training provider". How?

Robert Halfon: They negotiate with the provider. There are different funding bands, and there will be 15 funding band levels that they cannot go above or below. That is how it will be done.

Q309 Mr Wright: You have just been talking about the socially disadvantaged. You have always in your time as a Member of Parliament championed this. Is there not a tension in your policy between trying to achieve the aims of that socially disadvantaged, social mobility element, and then trying to push down on prices in terms of what employers—is that not a contradiction between your social aims and your economic aims?

Robert Halfon: If that were true, yes, but that is not the case. As I say, we have 15 different bands. We are increasing funds in certain areas such as STEM because of the economic productivity, industrial strategy issues. Because it is employer-led, employers will go for the skills that they need and skills that the country needs. I don't think that they will necessarily go for the cheapest apprenticeship on offer.

Q310 Mr Wright: What do you anticipate will be the information that is available to employers to allow them to have an informed choice about what they are purchasing?

Robert Halfon: That is the whole purpose of the digital apprentice service. People will be able to open accounts from January. It is under beta testing at the moment. We are beta-testing with over 100 employers. That will provide a huge amount of information on apprenticeships and some of the things that you describe.

David Hill: That is right. In terms of information, one of the consequences of the reforms is that it should become a more active market, and providers should be thinking now about what their offer is to employers in terms of training against new standards and having a dialogue with employers about what they will offer. One of the underlying principles here is that the employer—because financially they are making



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a contribution through the levy or through co-investment—becomes a more demanding customer in the system.

Q311 Mr Wright: Governments of any political persuasion do not have a great track record on digital learning accounts, whatever you want to call them. How are you going to ensure the system will not be subject to abuse?

Robert Halfon: That is the first question I asked when I got the job. I regularly meet with the team. I am very happy, if the Committee is, to organise a demonstration of the digital service with the Committee, if that is something that the Chairman and the Committee would like. As I say, we are rigorously testing this. There are some very, very good people who have done this kind of thing before for other big Government schemes—successful ones, I might add—and we are testing it with 100 employers. I think we are on track to make sure that it works, possibly.

David Hill: I could perhaps add a few details. This is one of the reasons why having Peter Lauener so closely involved here is of great benefit, because Peter was involved in sorting out some of the issues arising from individual learner accounts some time ago. There are a number of things we have done to manage risks of abuse. One is that only registered providers and employers who have registered on the system will be able to transact on the system. There will be a double lock in the system, whereby no money will be paid to a provider until they confirm training has started and that has been separately and independently signed off by the employer. All payments will be made in arrears, so there will be scope for the SFA to stop payments if we identify a problem.

We have a fraud and gaming group, where we have drawn on the expertise of financial institutions, audit firms and so on to develop a range of different possible scenarios that might be more risky, and the SFA is actively developing its plan for how we manage the risks around that now, and SFA will retain its investigations capability if we do identify unusual patterns—for example, very rapid provider growth in a new sector, say—that we can take action and investigate. It is an area where one of our starting points is that, absolutely, we must learn from some of the programmes that have not worked so well in the past, and we have built that in at every stage of our planning.

Q312 Mr Wright: Minister, based upon your answers to the questions on funding, can I just return back to my earlier questions on standards? You mentioned it was an open consultation and transitional arrangements were put in place as a result. Given the point about standards that we were talking about earlier, what happens if the reaction from businesses is as strong to that as it was to the funding proposals? How will you change things?

Robert Halfon: First of all, the reaction of business was mixed. There was some reaction to what we were proposing before from some quarters that was very critical, and we listened. There were some people on the other side also saying that we had made some moves in the right



direction. So far, because we have been working and the standards are being designed with business, we have an enormous amount—1,200—of businesses involved as Trailblazers at the moment, so I do not think that will occur. As I say, we keep evaluating and reviewing what is going to happen, because these standards are being designed by the businesses themselves and, once the IFA is in operation, with the IFA, I don't necessarily think that will be as much of a problem as you might think.

Q313 Mr Wright: Forgive my ignorance on this. I just want to be clear in my own mind. You said earlier that in many respects the standards are not coming out of the blue, the building of existing practices and existing standards in the framework. I can understand that. In the Westminster Hall debate yesterday, you said, "We are moving into a new world. The apprenticeship levy is changing employer behaviour. Business will choose different kinds of apprenticeships because of the move to standards. The way the discussion has gone among some Opposition members, it is as if we are comparing apples with apples. However, the world is changing and we are now comparing apples with pears". What is it? Is it a new world, a revolution, or is it evolution based upon an existing framework?

Robert Halfon: I stand by exactly what I said, because what we have to understand is the world is changing, so we are moving to a world from frameworks to standards. Therefore, that is going to change behaviours. The apprenticeship levy will change behaviours. The investment we are putting into areas like STEM frameworks and standards are uplifts of between 40% and 80%. It is going to change behaviour. Although businesses will be designing the standards, there will be businesses that may choose different frameworks or standards based on the new world, and apprentices will apply for different kinds of apprenticeships. If we just see everything in the same way as it existed in the past, we cannot, because that is not the way it is going to look, and especially once we make the final transition from apprentices to standards over the lifetime of this Parliament.

Q314 Chris White: It is fairly late in the morning for quite a fundamental question, but how do you think the Government are going to support employers, when there is going to be such an increase or how are we going to make sure they have the capacity to take this increase?

Robert Halfon: Are you talking about the levy itself?

Chris White: No. I am talking about the number of apprentices.

Robert Halfon: What Government support do you mean, for example?

Chris White: A number of businesses will be expected to take on a greater number of apprentices.

Robert Halfon: Yes, so the big business part of the levy I think they can manage without the help of the Government, but everybody will be getting, for example, incentives in the system. As I say, for 16 to 18-year-olds, the employers get £1,000 and the trainer gets £1,000. The



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employers will be getting support from the Institute for Apprenticeships, so they get support from that. They have support from the Department from the Skills Funding Agency. They will have access to the digital apprentice service. There are a number of tools that both big businesses that are paying the levy and small businesses will have that will help them in terms of having an apprenticeship.

Q315 Chris White: With the increase in numbers—you have used the phrase “stamping out” a couple of times—how will you stamp out poor training providers in this process?

Robert Halfon: It goes back to many of the questions here. First, by the role of the Institute for Apprentices, which is monitoring the standards, developing the standards, independent of business but working with the employers. The role of the other regulators: as we have discussed, Ofsted are monitoring the providers and making sure they are providing good training, and the other regulatory bodies.

Q316 Chris White: Do you envisage a place where a training provider will be sanctioned, will be removed?

Robert Halfon: Of course. It happens already.

David Hill: The new register of apprenticeship training providers launched last week and, for the first time, that register includes tests not just around the financial health of those organisations but also quality. There is a deliberate attempt to ensure that only organisations that we have stress-tested for quality can offer apprenticeship training.

Robert Halfon: Providers are paid in arrears as well.

Q317 Ian Mearns: Our recent careers advice report found that many schools were still pushing young people towards academic routes. What are you doing to ensure schools present a more balanced picture? We have had evidence to this inquiry and to other inquiries that we have conducted since. We did that careers advice report. The patchy nature—I am being kind by calling it “patchy nature”—of careers advice and guidance is not allowing youngsters to see the breadth of possibilities available to them outside of their own school walls. What are we going to do in order to ensure that schools are making sure that every youngster on their books has an opportunity to see the whole range of opportunities open to them?

Robert Halfon: First of all, I thank the Committee for their comments and I will reflect on them very, very seriously. As a new Minister, I decided that I wanted to look at the whole approach again to how we do careers. I have been considering the careers strategy that has been talked about in the past. I have undertaken a regional tour. I visited schools, colleges and employers to look at this very issue that you have just described.

Of course it is a problem that time after time schools keep encouraging their students to do university education, which is a very good thing, I



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should add, but not necessarily apprenticeships. My first ever speech in Parliament—my maiden speech—was on this subject. We have introduced legislation to ensure that schools do encourage people to do apprenticeships and do offer all kinds of careers advice. The £90 million we are investing in the Careers and Enterprise Company—I have seen the work for itself in a school in Stratford—is doing an enormous amount of work to try to ensure there are work experience opportunities for schoolchildren. Those are the kinds of areas, but I fully acknowledge there is a lot to do. It is one of the biggest problems we face in terms of getting people to do more apprenticeships.

Q318 Ian Mearns: In April, your predecessor told this Committee that the Government were planning to make it a legal requirement for schools to give apprenticeship providers and college staff access to all students. When will legislation be introduced, and how will it be enforced?

Robert Halfon: I will check this, but I am pretty sure that we have introduced a legal requirement to ensure that schools advise people on apprenticeship opportunities. If we have not, it is on the way, but I will check this and get back to the Committee.

Q319 Ian Mearns: I remember a time back in the 1990s when the then Shadow Minister—sadly, no longer with us—Malcolm Wicks, described what was happening in terms of some careers advice as being akin to pensions misselling. The reason behind that was that because some schools back then saw youngsters going into their sixth-form provision as a cash cow. I am afraid we are getting back to that now in some institutions around the country, where the interest of the institution getting a bum on a seat that provides revenue is more important than making sure that the objectives of the individual were met. At the moment only 6% of youngsters in the 16 to 18 age range are going into apprenticeships, and that was confirmed by the chief inspector from Ofsted. We really do need to do something tough about that to stop that—and I will call it an abuse—happening again in future.

Robert Halfon: The numbers going in show that careers guidance is improving but it has a long, long way to go, and it is one of my priorities. When you asked me what my title was, I said, “Further education, skills, apprenticeships”. I should have said, “And careers”, and it is a very important part. What I said in the beginning about raising the prestige of apprenticeships: none of this will work unless we really transform the careers guidance in our schools across the country, and that is one of my priorities in terms of my careers brief.

Q320 Ian Mearns: Lastly, Minister, do you see it as part of your role to try to break down gender stereotypes in terms of where particularly young women and girls are going? We see in some apprenticeships, skills, boys outnumbering girls by 75 to 1, for instance.

Robert Halfon: Again, the good news is that 53% of apprenticeships are now done by women, the latest figures, which is fantastic. There is one



particular apprenticeship—I think it is engineering or manufacturing—that has gone up by 5,000 recently in terms of the number of women doing it, but we need to look really hard. While every apprenticeship is incredibly important, whatever it is, given what we said at the beginning about increasing lifetime earnings and the job opportunities and so on, it is very important that we work on increasing women doing STEM subjects, and we are working very hard on that, particularly with the “get up and go” campaign, and doing a whole range of things to try to ensure that we get more women across the board.

Q321 Ian Mearns: The 53% statistic is a global statistic and hides some significant gender segregation. That is something that needs to be—

Robert Halfon: Which I acknowledged, and it is very important that we deal with that but, having said that, it is still a fantastic figure given where we could be.

Q322 Suella Fernandes: Just in relation to disabilities, although the participation of people with disabilities in apprenticeships has increased, there is still quite a low level relatively, and in May of this year a task force was set up by your predecessors with the DWP to look into the specific issue. Could you update us on progress of the task force?

Robert Halfon: Thank you. Again, for me that is an incredibly important question. We are adopting everything done by former Ministers Justin Tomlinson and Paul Maynard, and I pay tribute particularly to both of them for their work on this. Adjusting English and maths, better communication and evaluating the incentives. Roughly 8.8% of apprentices are now from disability backgrounds. The levy: as well as saying that we are going to give £1,000 to an employer or provider on a care plan or from a care home, we are offering £150 a month to providers in order to encourage the employment of those with disabilities, and also up to £19,000 for adaptations and so on in the workplace.

Mental health is also part of this. Something like £2 million has been given for support of apprenticeships with mental health problems. That is roughly 2,000 participants, and we want to monitor that and see how that works.

I talked a bit about traineeships. We had 19,000 traineeships in the past year—60% were 16 to 18, but a more important figure in terms of your question is that those with learning disabilities, 19.7% were represented. That is traineeships, a minimum of six months, doing work experience with proper employers. As always, there is much to do on this. I would like to talk with the autism charities in my constituency about getting more people with autism to do apprenticeships. There are a whole range of areas we are looking at, and officials are meeting with the different groups. I met with the Guide Dogs for the Blind, and part of the problem is blind apprentices getting to the place of employment. I am looking at a range of these issues because I want to make sure that those opportunities are available for everyone.



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Q323 **Chair:** Thank you, Robert. Just on the question Ian was referring to earlier about making sure that young people get the opportunities to think about apprenticeships and so on, is it in your mind to have a look at how we measure the success of schools in terms of league tables and so on to put the spotlight more on training and apprenticeships than just simply A-levels and journeys to university?

Robert Halfon: I am looking at this issue very carefully. I have been around the country to see different groups. I am doing a various amount of careers roundtables with schools and other career organisations. I would like—none of this is policy—some kind of recognition. What that may be and what is possible I don't yet know; perhaps some kind of recognition for those educational institutions that encourage people to do technical education and apprenticeships. As yet, I am deciding on that and looking at the different options that there are.

Q324 **Chair:** Prestige would be helped by parity.

Robert Halfon: If you look at the best campaigns, look at the Living Wage campaign, they succeeded because they encouraged people because of recognition, and now employers often compete to get one of those Living Wage employer badges or whatever. The prestige issue is incredibly important. I am just looking at the different options.

Q325 **Chair:** Thank you. Robert, we have heard about your honeymoon.

Robert Halfon: Thank you. It was still a nice one.

Chair: We are really pleased that it went so well. Let us hope that you are still in a honeymoon mood as you introduce this reform. It is not an analogy that we do not want it to end too soon, but we do want to see outcomes that are consistent with your five ambitions, which are obviously appropriate. Thank you very much indeed.