Chapter 7. Different sectors of apprenticeship in England

Apprenticeships in England are exceptionally diverse. This chapter looks at the issues arising in three special types of apprenticeship: those at degree level, those in smaller employers and those in the public sector. Degree apprenticeships are likely to grow rapidly as they allow those involved to avoid student loans and subsequent debt. This will be a positive development, but only if it restructures university degrees into quality apprenticeships, rather than just a part-time degree plus a job. Small employers play a big role in apprenticeship provision, and may need special support, including advice on how to make the most effective use of apprenticeship. The rationale for the new apprentice target for public-sector employers is questionable, given that the public-sector workforce is already relatively skilled in comparison with the private sector. Targets for the public sector might therefore be better limited to the use of youth apprenticeship as a recruitment tool.
Introduction: Focus on three sectors

Apprenticeships in England are exceptionally diverse, and what works for some parts of the apprenticeship system may have little relevance in others. This chapter therefore looks at some of the issues arising in three subsectors. It examines apprenticeships at degree level, for smaller employers and in the public sector.

Policy issue 7.1: Securing a constructive use of degree apprenticeships

Challenge: Responding to rapid growth in degree apprenticeships with effective regulation

There has been growth, from a very low base, of higher (Level 4 and above) and ‘degree’ apprenticeships (Level 6 and 7). This has been actively encouraged as part of a broader objective of raising the ‘level’ of the apprenticeship system. This trend is now set to continue and accelerate, partly because of the policy emphasis, but more significantly because the new levy funding arrangements create powerful incentives to establish degree apprenticeships.

Degree apprenticeships involve university studies alongside full-time employment

Degree apprenticeships, developed in collaboration with universities, will take between one and six years, and like other apprenticeships must involve full-time (30 hours a week) employment alongside university studies. They are open to all ages, but are primarily targeted at 18-year-olds as an alternative to ordinary university study. Two models are possible: existing degree programmes can be combined with additional vocational training, with a separate test of professional competence at the programme’s conclusion; alternatively, the employer and partner university co-design a fully-integrated course of study and on-the-job training (see Prospects, 2017). Some issues related to final assessment remain ambiguous, in particular how the end-point assessment associated with the apprenticeship standard relates to university exams leading to a degree award.

New levy funding arrangements create strong incentives to establish degree apprenticeships

For students on degree apprenticeships, all fees are paid, mostly from the levy pot, so that unlike most other university graduates, graduates of degree apprenticeships will end up free of tuition-related debt. From the employer point of view, it may be possible to train recruits for higher-level skills, taking advantage of the levy pot, potentially replacing expensive tailored training for recruits and/or costly graduate recruitment schemes. More than half of the larger employers surveyed by BPP University reported that they would be replacing graduate recruitment schemes with degree apprenticeships, and around one-third would do the same with sponsored degrees (BPP University, 2017). Some key employers, such as hospital trusts and other parts of the public sector, may also need to expand apprenticeships to meet the government’s apprenticeship target, and could take advantage of degree apprenticeships to that end. For their part, universities are likely to see degree apprenticeships as a new ‘income stream and business opportunity’ (Universities UK, 2016). Given all these incentives, and encouragement from government, rapid growth in degree apprentices is a certainty.
**Policy pointer 7.1: Securing a constructive use of degree apprenticeships**

The expansion of degree apprenticeships should be a means of ensuring that the benefits of integrated on and off-the-job training are realised in these programmes rather than a means of restructuring full-time degrees as part-time merely to attract levy funds. To this end, ensure that all degree apprenticeships involve a clear commitment from employers to provide a substantial element of on-the-job training, closely aligned with the programme of studies pursued in a university. This proposal draws on the expectations for on-the-job training discussed in Chapter 3, and policy pointer 3.1.

**Analysis: An opportunity to link growth to quality**

*Degree apprenticeships potentially offer the benefits of integrated learning and working*

Degree apprentices will be working, and hopefully learning on the job, in relevant employment while they are studying. Potentially this has many advantages, as theoretical studies can be applied in practical contexts, while experience in practice can also inform theoretical learning; these classical benefits of apprenticeships can be realised at university degree level as well as other levels of education. Chapter 3 of this report argued for the importance of on-the-job learning in apprenticeship in general, drawing on the experience of other countries where this form of learning occupies a more central role in apprenticeship systems. Often, the apprenticeship model, with a blend of working and learning, is the right model to train for graduate level jobs.

*Such an expansion should also benefit the entire apprenticeship ‘brand’*

Degree apprenticeships will also encourage people to see training for higher status professions through apprenticeship in a way that has been rare in the past. This is particularly important in the English context where many apprenticeships have involved low-level skills acquired quickly. Some of the status of university degrees should also come to be associated with degree apprenticeships and therefore with the apprenticeship brand. Degree apprenticeships should therefore be promoted as apprenticeships, in the face of evidence that some employers will be reluctant to describe degree and higher-level apprenticeships as such, because of the current low status of the apprenticeship brand (Gambin et al., 2016; BPP University, 2017).

*Degree apprenticeships are not a common model in other countries*

Looked at across countries, the international equivalent of apprenticeships at above Level 3 are quite common internationally. For example, around one-quarter of those starting apprenticeships in Germany already have the Abitur (which grants the right to enter university), and this group have a disproportionate share of the highest status apprenticeships, often in big companies with very good career opportunities (Bliem et al., 2016). Degree apprenticeships are different, in that there are few international parallels of any scale. Perhaps the closest parallel is the ‘dual university’ programmes in Germany (see Box 7.1).
Box 7.1. Dual university programmes in Germany

Dual programmes combine a university course with employer-based practical training, employment or work experience. Students must also sign a contract with an employer. The curriculum is closely connected to a job, and the course is completed in two different places.

- Programmes with a training component combine a course of university study with training in a recognised occupation. In addition to the degree, students obtain a vocational qualification. Participants must normally have a general university entrance qualification and a contract of employment.

- Programmes with an employment component are primarily aimed at people who have already done vocational or professional training and/or have professional experience. It offers further professional development by combining a course of study with professional experience directly relevant to the course. Students may enrol without a general university entrance qualification. The amount of time the student spends in the classroom and at the place of work is agreed in a contract between the institution, the student and the employer.

- Programmes with a work experience component combine a course of study with extended practical phases with an employer. Students obtain a university degree but not a recognised vocational qualification. As a rule, this programme normally requires students to have a general university entrance qualification.


Degree apprenticeships represent an opportunity

Degree apprenticeships represent a major opportunity, not only to extend the apprenticeship model into higher-level skills, but also to show-case apprenticeship that effectively integrates structured workplace experience and learning with off the job study in universities. Powerful incentives mean that employers and universities, if faced with the requirement for such integration, will respond positively – whereas in other sectors of apprenticeship employers might shy away from such requirements and avoid apprenticeship altogether. Such integration, show-cased in prestigious degree apprenticeships, might then provide a model for the whole apprenticeship sector.

But there are also risks

The new incentive structure will strongly encourage reorganisation of full-time university degree programmes with a large element of professional training (for example in teaching and nursing) into part-time programmes contributing to a degree apprenticeship. This could be positive if it reaps the full benefits of integrated work and learning, in which university studies are sequenced with particular forms of workplace experience in a co-ordinated way, maximising the value of the apprenticeship. Conversely, restructuring the university degree as a part-time programme, without any additional link with the working experience of students, would be no more than a device to attract levy funding for a university degree unchanged in substance save for being part-time. That would amount to a disruptive and wasteful distortion of the form of training provision just to meet the requirements of the levy. Looking at the literature and guidance currently
available on degree apprenticeships, while the apprentice standards are documented in terms of the target knowledge, skills and behaviours required in the occupation, there is little or no evidence regarding how the workplace experience of those undertaking degree apprenticeships will be effectively integrated with university studies (e.g. see the detailed descriptions of existing degree apprenticeships linked to the UCAS website (UCAS, 2017). The funding rules for higher education institutions wishing to take part in degree apprenticeships unfortunately make no mention of any requirement on higher education institutions to integrate their programmes of study with workplace experience (see SFA, 2016).

Strong quality assurance is therefore necessary

Given this risk, strong quality requirements will be necessary to ensure that the degree apprenticeships offered genuinely add value as integrated programmes of work and study. This should reflect the principles and standards proposed for work-based learning in Chapter 3. The issue is not the quality of the university programme offered as part of the degree apprenticeship – which may already be quality assured in the form of degree programmes. Instead, quality assurance needs to apply to the working experience of degree apprentices, the extent to which that experience provides opportunities for effective learning, and the effective integration of that experience with university studies. This means quality assurance directed at the employer, as well as at universities. The underlying quality assurance issue, of ensuring integrated learning and working through an apprenticeship, rather than merely sticking some training on the side of employment, applies to all apprenticeships, not merely those at degree level. It is therefore encouraging to see that Ofsted is pushing for the authority to inspect employers taking part in degree apprenticeships (see FE Week, 2016). The OECD would support that approach, although given the importance of integrating university studies and work-based learning, a complete separation between the QAA (The Quality Assurance Agency for Higher Education) inspection regime in universities and Ofsted in the employers would not be desirable.

Quality in degree apprenticeships is vital if they are to replace employer-sponsored degrees

Employer-sponsored degrees involve an employer paying all or some university fees for their employee, and releasing their employee – often one day a week – to pursue the degree. 10% of students in UK universities – something over 200 000 students – are pursuing employer-sponsored degrees, including three-year degrees, but also HNC, HND, foundation and postgraduate degrees (Phoenix, 2017). This model is likely to be supplanted in large part by degree apprenticeships, since employers can call on levy funds to provide fees for such apprenticeships, but cannot do so for employer-sponsored degrees – one-third of large employers surveyed said that they expected to pursue this replacement strategy (BPP University, 2017). Employer-sponsored degrees have some potential advantages over degree apprenticeships – cost-sharing between employer and employee can be individually negotiated, as can release terms and the degree programme. Degree apprenticeships might be preferable if they fully reap the traditional advantages of apprenticeship – work-based learning closely integrated with university studies designed to realise the occupational competences as defined by employers. This underlines the importance of insisting that degree apprenticeships should have all of these qualities, and are not simply part-time degrees attached to a job – a model not preferable in substance to an employer-sponsored degree.
Policy issue 7.2: Supporting small and medium-sized employers (SMEs)

**Challenge: Barriers and opportunities for apprenticeship among SMEs**

*It is often argued that apprenticeship may be less attractive to a smaller employer*

Smaller employers may find it harder to retain skilled graduate apprentices, so the benefit of investing in their training is less than for larger employers (OECD, 2010; Johanson, 2009; Dar et al., 2003; CEDEFOP, 2008). There are also typically minimum administrative fixed costs associated with taking an apprentice, and these may also be an entry barrier for smaller employers. It is therefore widely asserted that smaller employers face particular barriers in making use of apprenticeship.

*But in some countries at least, apprenticeship is more common in smaller firms*

Surveys of employers offer evidence of whether employers participate or not in training, according to firm size. Such statistics are widely cited to show that training is more common in larger firms (see for example Stone and Braidford, 2008). But it should not be surprising that ‘some’ training is more likely in giant firms than in tiny ones. More telling statistics reveal the extent of training, taking into account the number of employees. Here the evidence is much less clear. In fact, smaller employers in some countries with large apprenticeship systems are sometimes more likely to take on apprentices, taking into account firm size. In Switzerland, the ratio of apprentices to total employees (the training ratio) was between 7.5% and 9% in companies with less than 10 employees, 4% in companies with 50-99 employees, and 3% in companies with 100+ employees. Similarly, in Austria, this same ratio was 5% in companies with less than 50 employees but just under 4% for companies with more than 50 employees. Germany displays a slightly different pattern, with a training ratio of 3% in companies with less than 10 employees, but 4% on average overall (Bliem et al., 2016).

*In England, the training ratio is highest in midsize employers*

Midsize employers (10 to 99 employees) had 11 apprentices per 1 000 employees); this was around twice the level found among both larger and smaller employers (DfE, 2016). It is striking that in England nearly half of all apprenticeship starts were in smaller employers, with less than 50 employees, and a further 15% of starts in medium-sized employers (between 50 and 250 employees).

*The reasons for these patterns are unclear*

So, while there are some clear theoretical explanations for why one might expect apprenticeship to be less common in small employers, the evidence on this is mixed, and in England it is midsize employers (10-99 employees) that appear to make most use of apprenticeship, taking account of their size. Sectoral factors could be relevant, for example, where small firms are more common in apprentice-rich fields. But it could also be that smaller employers, despite the barriers, find ways of taking advantage of apprenticeships. In some small firms, personal loyalties, combined with a large measure of firm-specific skills that take time to acquire – such as good relationships with customers – may mean that these employers may place a very high value on long-term employee retention, and skills development over time, resulting in a commitment to apprenticeship and rewarding the apprentice graduate. Conversely the apprentice graduate may find that their many useful firm-specific skills are not easily marketable to other employers. This is speculation but, whatever the precise factors at work, SMEs should be promising territory for the development of apprenticeships.
**Policy pointer 7.2: Supporting small and medium-sized employers**

Small employers already make extensive use of apprenticeship in England. To support further growth and enhance quality, facilitate support services for smaller employers, advising them on how to make most effective use of apprenticeship, and supporting local networks of co-operation between employers with apprentices.

**Analysis: Facilitating apprenticeship in smaller employers**

*Smaller employers are an opportunity rather than an obstacle for apprenticeships*

Countries where apprenticeship is common among smaller employers often pursue special support measures. For example in Germany there are different models: a lead enterprise may bear the overall responsibility for training, but parts of the training are conducted in various partner enterprises; alternatively some of the periods of training may take place outside the regular (small) enterprise, perhaps in a nearby large enterprise with a training workshop on the basis of reimbursement of training costs; several SMEs may work together and take on trainees; or the SMEs may establish an organisation which takes over the administrative tasks (contracts, etc.), while the individual enterprises offer the training (Poulsen and Eberhardt, 2016). Across countries, consultation services and arrangements to group SMEs together to make use of levies are also important (see Box 7.2) (See also Kuczera, 2017).

*Apprentices in small companies may find external support particularly helpful*

Smaller employers with less experience of apprenticeships may need external help during an apprenticeship. SMEs may need advice on how to use and manage apprentices, how to supervise them in the workplace, and how to work with other SMEs to pool experience and provide mutual support. This type of service may be critical not only to encouraging SMEs to take on apprentices, but also to providing apprenticeships of good quality that will lead to rewarding careers. A study in Australia found that in larger companies, mentoring services and buddy schemes were more common than in smaller firms. In small firms there is no dedicated human resources department where an apprentice may pursue a grievance (Dickie, McDonald and Pedic, 2011).

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**Box 7.2. Helping SMEs get the most out of training**

In Spain, two non-governmental organisations (NGOs) (Fundación Bertelsmann and the JP Morgan Chase Foundation) collaborated to provide free technical support to SMEs interested in developing apprenticeship programmes. The pilot initiative focused on firms with between 10 and 500 employees. A consulting team worked with 190 SMEs to support them through the process of creating apprenticeship places, including identifying positions within the company which could be filled by apprentices and matching available VET qualifications with firm’s skill needs. Of the 190 firms that the team worked with, 115 expect to offer at least one apprenticeship position during 2016/17 and 2017/18 – suggesting that technical support can help SMEs to overcome non-financial barriers in providing apprenticeships.

In Korea, the Korean SMEs Training Consortium Project was launched to help SMEs provide in-service training and retrain unemployed workers. A training consortium (TC) of SMEs forms an operating committee (OC) composed of representatives of TC members, local Chamber, Ministry of Labour field office, and training experts to manage...
its training tasks. The consortium established an information network among TC members, conducted training-needs surveys of each member SME; planned training activities and contracted outside training providers; collaborated to develop training programmes and materials; and conducted evaluations of major training courses. The objective was to provide a group of SMEs with training specialists, financed by public funds, to relieve the organisational, informational, and financial constraints that SMEs face in developing their human resources. The project promoted SME workers’ productivity, solving the most critical SME problem of skilled manpower shortages, and provided preferential financial benefits to SMEs. The project also helped training policy to become more demand-driven by developing new working relationships between SMEs and training providers; and promoted partnership between private sector associations and public/non-governmental organisations.


Policy issue 7.3: Underpinning the public-sector target with wider policy goals

**Challenge: A new target for public-sector apprenticeships and its rationale**

In England impetus is being given to public-sector apprenticeships through a new proposed target

The Labour Force Survey (BIS, 2016) shows that, in England, currently just 0.6% of public-sector employees are apprentices, meaning that the number of apprentices will need to be quadrupled for public-sector bodies to hit the 2.3% target (CIPFA, 2017). In some other countries, apprenticeship is only slightly less common in the public sector than it is in the private sector. In Germany, apprentices as a percentage of the workforce are 3% in the public sector and 4% in private industry; in Switzerland, the comparable figure was 5% in the public sector, not far off the private sector average (Bliem et al., 2016). The target will work in tandem with the incentives created by the levy. Among a group of public-sector employers surveyed on their likely response to the levy and the public-sector target, half said that they would reduce graduate recruitment, and three-fifths said that they would reduce sponsored degrees in favour of apprenticeships. They are likely to expand higher-level apprenticeships, in particular. None of the employers surveyed planned to pay apprentices the minimum wage (BPP University, 2017).

**Policy pointer 7.3: Underpinning the public-sector target with wider policy goals**

The public-sector workforce has better skills, on average, than the private sector. Any targets for the public sector might therefore be limited to the use of apprenticeship as a recruitment tool, in particular for youth apprenticeship.
Analysis: Different rationales for recruitment and for upskilling the existing workforce

The government sets out two rationales for the new target

The government’s consultation paper argues for the target in relation to two goals: first, in transitioning young people into the labour market; second in upskilling the existing workforce. Government itself, it can be argued, needs to demonstrate its own commitment to such objectives if it is to credibly persuade private sector employers to share them (BIS, 2016).

Governments normally take more responsibility for the transition from school to work, than for upskilling the workforce

As discussed in Chapter 2, the transitioning of young people between school and work is a policy domain in which government in England, as in most OECD countries, has taken a full and active responsibility, in higher and further education as well as in apprenticeship and other forms of vocational training. Substantial flows of government money go into supporting this process, [including higher education given the RAB (The Resource Accounting and Budgeting) charge despite the increased fees in recent years]. Apprenticeship for school leavers can reasonably expect to be part of this process, and Chapter 2, argued that special attention should therefore be paid to the promotion of youth apprenticeship. Conversely, upskilling the workforce, while important and desirable, is not a field where government has been so directly involved, and where funding levels have usually been more modest.

Some other countries are also seeking to develop apprenticeships in the public sector

Norway is currently, like England, seeking to expand apprenticeships in the public sector through a range of initiatives and targets. But apprenticeship in Norway is overwhelmingly an institution serving the needs of young people in upper secondary education (alongside employers), and transitioning them into employment (see Box 7.3). This means that the rationale for the public-sector targets in Norway is quite different to that in England.

Public-sector workers already have better skills than average, so further upskilling does not appear as a priority

In England, public-sector workers have better skills than private sector workers on average, and that skills gap appears to be widening, partly because of outsourcing of low-skilled jobs from the public to the private sector. As pointed out by Amin-Smith et al., (2017), nearly two-thirds of public-sector workers had completed post-secondary education in 2015-16, compared with only 38% in the private sector. At the same time, indications from public-sector employers surveyed suggest that quite a lot of emphasis will be given to higher-level apprenticeships (BPP University, 2017). While upskilling the existing public-sector workforce might still be desirable, it should not be a policy priority, and it does not appear to be an equity priority, given the concentration of low skills in the private sector.

There are other more flexible ways of encouraging the use of apprenticeships in the public sector.

Exempting the upskilling of incumbent workers in the public sector from the target would not mean ignoring the potential of apprenticeships in this domain. Other measures are possible to raise the profile of apprenticeships in the public sector, but such measures
could be local and flexible, and respond to business needs (see Box 7.4). Other recent studies, including the report of the select committee, and the Institute for Fiscal Studies (IFS), have also argued against a blanket target for the public sector (House of Commons, 2017; Amin-Smith et al., 2017).

**Box 7.3. Apprenticeships in the public sector in Norway**

Norway has launched an initiative designed to increase the number of apprentices employed by central government. The new strategy makes it mandatory for all government agencies to have at least one apprentice. This is part of a broader strategy to increase the number of apprentices by 20%, linked to an increase in the employer subsidy for taking apprentices. The strategy includes measures to make it easier to provide apprentices with high-quality training, to spread information about the advantages of having apprentices, the need for competence-building, and measures for recruiting instructors.

The Norwegian government is also introducing a requirement for companies to have an apprenticeship programme to be eligible for major public procurements. Universities and university colleges have been asked to increase their apprenticeships by 50%.


**Box 7.4. Public-sector contribution in the London Apprenticeship Campaign**

The public sector was expected to play a significant role in the London Apprenticeship Campaign in driving up the number of apprentices, encouraging private sector employers to do the same. London Councils saw joining the campaign as an invaluable opportunity to bring more young people into an aging workforce, integrate those not in education or employment, and influence local businesses to do the same. It launched the London Councils apprenticeship project in 2009 and established a sub-group to support delivery of the target of taking on over 2 000 new apprentices in the city by 2012 within London Councils and partner organisations. The sub-group included representatives of boroughs, NAS, UNISON (a key public-sector trade union), a Further Education representative and Sector Skills Councils. The body devised a London Borough Apprenticeship Plan which identified several key activities to be carried out, including sharing best practice, networking events, lobbying Sector Skills Councils and others to work towards apprenticeship frameworks, and putting in place more pathways to employment for skills shortage areas (London Councils, 2012). By March 2012 the boroughs had over-reached their target, delivering 2 714 apprenticeships in roles as diverse as animal attendants, social care and information and communication technology (ICT), with many progressing to advanced apprenticeships and permanent jobs.

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