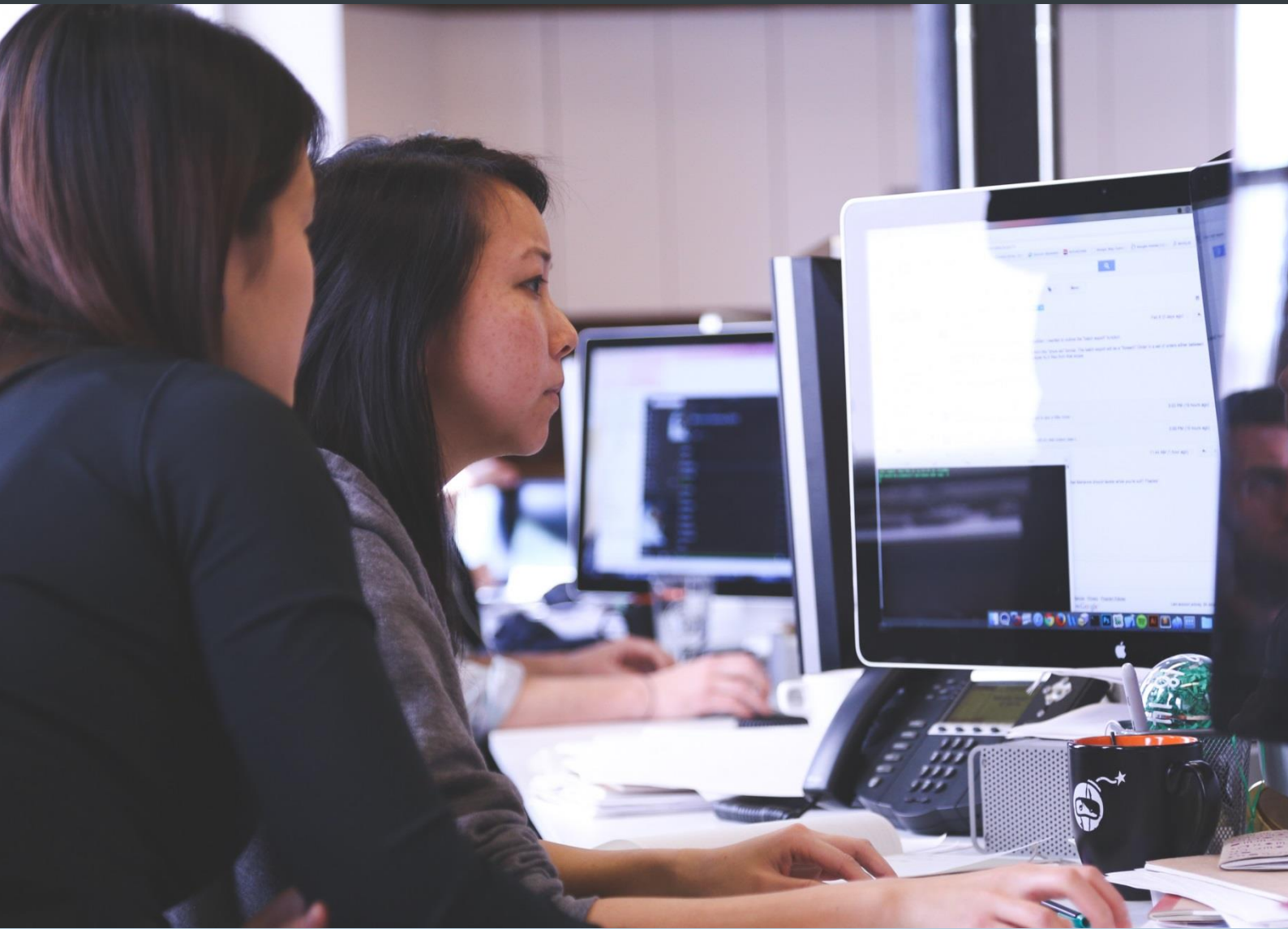


# LONDON ASSEMBLY

## Apprenticeships: an un-level playing field



**Economy Committee**  
January 2017

Holding the Mayor to  
account and  
investigating issues that  
matter to Londoners

**LONDON**ASSEMBLY

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The Economy Committee scrutinises the work of the Mayor and investigates issues of interest to the public relating to economic and social development, wealth creation, the arts, sports and tourism in London.

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# Fiona Twycross AM

## Chair of the Economy Committee



To continue to thrive, London's businesses and workforce need the skills to drive the economy forward. But there are significant gaps in the skills required to do this, notably in construction and the creative industries.

Apprenticeships are widely viewed as a solution to London's skills crisis; a crisis which may worsen in the context of Brexit. They should also provide an alternative route to decent and well paid skilled employment opportunities. The government's commitment to an apprenticeship levy and the new mayoral administration in London offers an opportunity to make sure apprenticeships in London do both of these things. It is vital this opportunity is not squandered.

The traditional view of apprenticeships is that of school leavers being taken on by a business to learn a trade. The reality is very different with around half of apprenticeships in London being carried out by over 25s, many 'apprenticeships' effectively constituting in work training for those already employed. All too many apprenticeships do not lead to permanent, quality employment and there is still evidence that some apprenticeships are effectively a means for some employers to access cheap labour.

Unlike in other countries, such as Germany, apprenticeships remain comparatively low status in the UK. Some of the apprentices that committee members met at an informal round table told us how they had been actively discouraged by schools and families from taking up apprenticeships. This is due to no small part to the low pay and low skilled nature of too many apprenticeships. For the status of apprenticeships to change, and for them to be a viable route to up-skilling London's workforce and an affordable option for potential apprentices, this needs to change.

Within existing apprenticeships there are particular issues of diversity and equality of opportunity, outcomes and pay levels. Apprentices and those from a black and Ethnic Minority background are more likely to work in the low-paid health and retail sectors while male apprentices dominate construction and engineering. Male apprentices get paid 21 per cent more per hour and 16 per cent of women report being out of work at the end of their apprenticeship, compared to six percent of men. Progress in making apprenticeships a genuine route in to work for people with disabilities has

also been too slow. The focus on numbers of apprenticeships rather than quality and outcomes masks a widening inequality and unfairness within the apprenticeship system.

The Skills for London taskforce can play a significant role in improving the apprenticeship offer in London and should consider how hurdles experienced by women, disabled people and those from a BME background can be overcome particularly by exploring the feasibility of flexible and part time apprenticeships. Over the next few years, there is an opportunity to give the concept of apprenticeships a new lease of life and use them both to benefit London and the Londoners who take up apprenticeships.

In preparing this report, the Committee heard from apprentice providers, employers and organisations with expertise in this area and from apprentices themselves. We are grateful for the insight they provided.

# Executive Summary

This report provides an update on the development of the apprenticeship system in London at a key stage in the long running reform programme. Despite an increase in the overall numbers, the current system is struggling to deliver the type of skills and training that London's employers require. Furthermore, we have seen that there is not equal access to the better quality or higher level apprenticeships, particularly for those from low income backgrounds.

For this investigation, we examined data from the Skills Funding Agency to get a better idea of the picture of apprenticeships in London. We also spoke to experts about the inequalities within the current system and what impact the Government's reform agenda might have.

## Our key findings on apprenticeships in London

### **Apprenticeships and diversity**

- Since 2010, around 260,000 Londoners started an apprenticeship. Roughly half of all apprenticeships—140,000—are among the 16-24 year old age group.
- Apprenticeships have become an increasingly preferred route for businesses to provide in-work training, particularly for those aged 25 and over.
- The majority of apprenticeship starts are by women and around 40 per cent are young people from Black and Minority Ethnic (BAME) communities.

### **Achievement in apprenticeships**

- The proportion of apprentices failing to achieve a qualification is growing across all ethnic groups.
- BAME and female apprentices tend to be clustered in lower level and lower paid apprenticeships. The record of progression into Advanced or Higher apprenticeships is poor.
- The Government's focus on hitting targets for numbers of apprenticeships appears to have affected the quality of apprenticeships and the reputation of the system as a whole.
- Government reforms will take time to become effective; removing the additional support for those from disadvantaged backgrounds appears to be a retrograde step.

## To help improve the number of quality apprenticeships in London, the Mayor should

- Develop a better assessment of how apprenticeships in London are working. This includes directing the London Enterprise Panel to publish annual, London-specific apprenticeship data, which takes into account starts and success rates and is broken down by ethnicity, gender, disability, age, sector and qualification level.
- Ensure a fair funding settlement for London skills sector, which recognises the unique challenges that London faces in increasing the number of quality apprenticeships and that encourages greater diversity across all sectors of the economy.
- Help large organisations in London make the most of the apprenticeship levy, by offering advice and guidance, and promoting best practice within the GLA Functional Bodies.

## In future, the Mayor will play a greatly expanded role in skills development and provision in London

- In developing his skills strategy, the Mayor should consider the role that apprenticeships can play in closing the long-term skills gap in London, help identify gaps in provision and ensuring that currently disparate programmes and funding streams, across the public, private and voluntary sectors, work in concert.
- The Mayor should undertake a renewed push for an independent, pan-London careers advice service, which can offer informed, tailored careers advice to support young people into relevant vocational training.



# 1. Apprenticeships in London

## Key findings

- Since 2010, over 140,000 young Londoners between 16 and 24 started an apprenticeship.
- The majority of apprenticeship starts are by women and around 40 per cent are people from BAME communities.
- However, BAME and female apprentices tend to be clustered in lower level and lower paid apprenticeships.
- The record of progression into Advanced or Higher apprenticeships is poor, with higher grade apprenticeships accounting for just six per cent of apprenticeship starts in London in 2015/16.

## Apprenticeships in London

- 1.1 In the last five years, funding for apprenticeships in England has gone up by over a third. During the period of the last Government, the Department for Education was responsible for all apprenticeships for those aged 16-18, with the Department of Business Innovation and Skills taking control of the system for those aged 19 and over. Between Financial Year (FY) 2010-2011 and 2014-15, overall funding for apprenticeships increased from nearly £1.1 billion to just over £1.6 billion. The majority of funding is now supporting those over 19, which marks a significant change from 2010-11.

**Table 1: Apprenticeship budget for England FY 2010-11 to 2014-15 (in millions)**

Age of apprentice	2010-11	2011-12	2012-13	2013-14	2014-15
16-18	751	764	679	728	801
19+	451	625	756	769	833
<b>Total</b>	1,202	1,389	1,435	1,497	1,634

- 1.2 During this period of increased investment, the number of apprenticeships has increased in London, but at a much slower rate than other regions of the UK. The number of starts peaked at over 47,000 in 2011-12 but has since fallen back. London does not compare well with the rest of the country. Despite having the second largest population of any region in England, Greater London has consistently been among the worst performers, and last year had the second lowest number of apprenticeship starts after the North East. The previous Mayor's ambition of achieving 250,000 apprenticeships starts during his second term of office (i.e. 2012-2016), was not met.
- 1.3 We have previously examined the relatively poor performance of London compared with other regions in generating apprenticeships. Our 2014 report, *Trained in London*, noted that:
- the London economy is more heavily focused on services than the rest of the country and financial and business services, in particular, are only just recognising the importance of apprenticeships in delivering vital skills to the labour market.
  - jobs in London tend to be at the higher end of the skills range than the rest of the country and until recently apprenticeships were not seen as a viable route for those who performed well in secondary education.

- the global nature of the London labour market means that it has been relatively easy for employers to buy the skills they need rather than necessarily training their own employees.<sup>1</sup>

**Table 2: Total apprenticeship starts by region FY 2010-11 to 2015-16**

Region	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15	2015- 16	Total
<b>London</b>	<b>41,400</b>	<b>47,230</b>	<b>45,070</b>	<b>40,050</b>	<b>45,550</b>	<b>45,590</b>	<b>264,890</b>
North East	34,550	38,340	35,870	30,480	35,220	37,140	211,600
North West	78,660	89,310	84,180	71,670	79,310	79,800	482,930
Yorkshire & the Humber	55,800	64,200	59,900	53,120	62,550	62,660	358,230
East Midlands	40,860	46,790	49,010	40,290	48,060	47,790	272,800
West Midlands	54,230	60,470	62,430	52,410	61,240	60,250	351,030
East of England	39,760	45,820	46,220	40,430	45,790	46,270	264,290
South East	58,340	66,850	68,960	60,220	65,030	64,690	384,090
South West	49,300	55,950	52,540	45,960	51,480	53,910	309,140
<b>England Total</b>	<b>453,300</b>	<b>515,000</b>	<b>504,200</b>	<b>434,600</b>	<b>494,200</b>	<b>498,100</b>	<b>2,899,400</b>

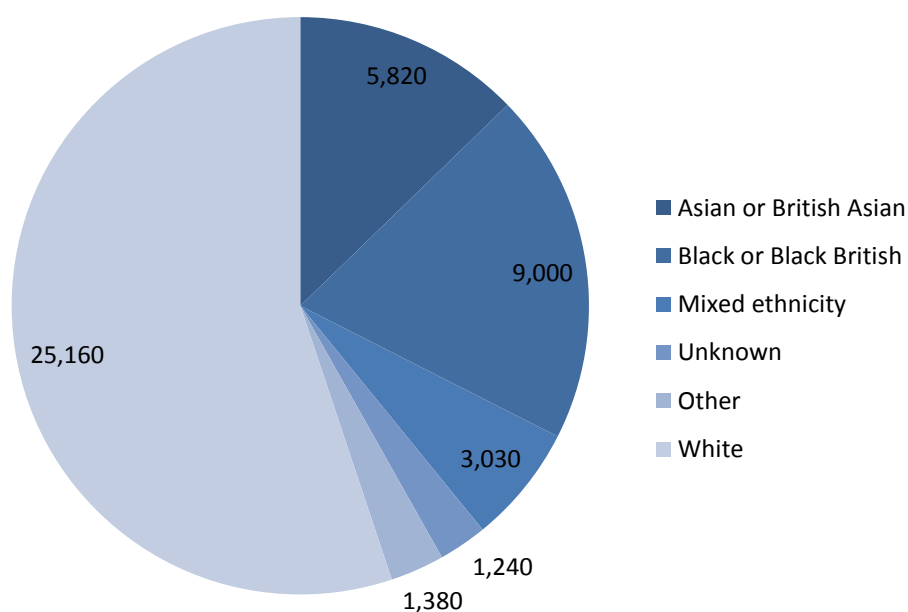
- 1.4 Looking at broad numbers for apprenticeship starts only reveals part of the picture. The apprenticeship system is increasingly complex. To better understand the challenges the system is facing we looked at whether the growth in numbers accurately reflects the demographic make-up of London and meets the needs of employers.

## Diversity in apprenticeships

### Ethnicity

- 1.5 London is an increasingly diverse region, and this is reflected in the diverse backgrounds of London's apprentices. London's Black and Minority Ethnic (BAME) population makes up approximately 43 per cent of its residents, with approximately 20 per cent of the population coming from an Asian or Asian British background; 16 per cent from a black, African, Caribbean or black British background; and a little over five per cent of mixed heritage.<sup>2</sup> The proportion of apprentices from BAME backgrounds has remained relatively steady at about 40 per cent since 2010. Within this category, black Londoners are somewhat over-represented in comparison to Asian Londoners, but the numbers have remained relatively consistent throughout this period of increased investment.<sup>3</sup>

**Chart 1: Apprenticeship starts by ethnicity, London 2015-16**



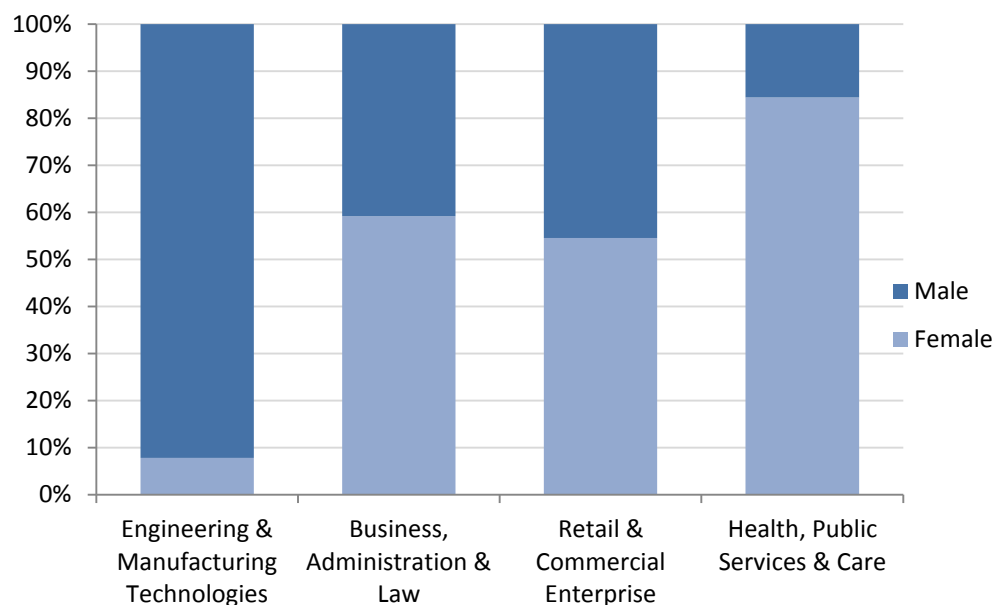
- 1.6 However, despite strong overall participation within the apprenticeships system, there is growing concern that apprentices from BAME backgrounds are not getting the full benefit of the training. While we note that these broad ethnic categories mask a number of key variations in the experiences of communities, there is some evidence to demonstrate that BAME Londoners are clustered into lower-level apprenticeships.<sup>4</sup> Ben Robinson, Head of Policy at Community Links, which supports young people from disadvantaged backgrounds to enter work, stated that Londoners from BAME backgrounds “are still concentrated in level 2 apprenticeships, and they have a higher dropout rate than non-BAME groups as well.”<sup>5</sup> This is particularly worrying when, according to a recent report from the Sutton Trust, many level 2

apprenticeships offer little value to the apprentice and only marginally better lifetime earnings than those earned with a secondary school education alone.<sup>6</sup>

## Gender

- 1.7 There has been some success in increasing the overall participation of women in apprenticeships. In London, women have increased their share of the apprenticeship market, and now make up a majority of apprenticeship starts, particularly for those aged 25 and over. However, women's participation begins to fall as the qualification level of the apprenticeship increases.
- 1.8 Data released by the GLA's Intelligence Unit also demonstrates that a strong gender divide persists between the types of apprenticeships that men and women undertake. Chart 2 below shows how various sectors are segregated by gender. Women have a clear majority in areas such as health and education, but have made few inroads into traditionally male-dominated industries such as construction and engineering. We also note that, in 2015-16, there were no women taking a higher level apprenticeship in either construction or engineering.<sup>7</sup>

**Chart 2: Apprenticeships taken at intermediate, advanced and higher level for each sector in 2015-16**



- 1.9 Also of concern is the gender pay gap among apprentices in London. Dr Carole Easton of the Young Women's Trust told us that its research found women were clustered into lower paid, lower value apprenticeships, which offered them less long term security and opportunities for advancement. Its recent report, based on a national survey of young women apprentices, highlighted:
  - female apprentices receive lower pay than men, an average of £4.82 an hour compared with £5.85. Male apprentices get paid 21

per cent more per hour, leaving women potentially over £2,000 worse off per year.

- women are more likely to be out of work at the end of their apprenticeship. 16 per cent of women said that they were out of work, compared to six per cent of men.<sup>8</sup>

1.10 This split in terms of pay at apprenticeship level between male and female Londoners is reflected in the wider economy. Key sectors delivering large numbers of female apprentices, like health and social care and retail, are also a part of an increasing trend towards entrenched low paid work among certain sections of the population.

### Disability

1.11 Londoners with a learning difficulty or physical disability also saw an increase in participation in recent years. In 2010, the proportion of apprentices with a learning difficulty or disability within the overall apprentice population in London was 6.7 per cent, which by 2015 had increased slightly to 7 per cent.

1.12 However, people with disabilities still face enormous challenges in accessing training and employment. The employment rate for disabled Londoners was 50.1 per cent compared to the employment rate of non-disabled people of 77.4 per cent, a gap of 27.3 percentage points. Since 2008, that gap has reduced by just three percentage points.<sup>9</sup> Apprenticeships should play a more effective role in helping this marginalised group to access employment.

1.13 The Government recognises that it needs to do more to make apprenticeships accessible to those with a learning or physical disability. In May 2016, it asked Paul Maynard MP to chair a taskforce to explore how to help more people with learning difficulties access apprenticeships. The taskforce examined the barriers faced by those with learning difficulties and published a set of recommendations to address those barriers, including:

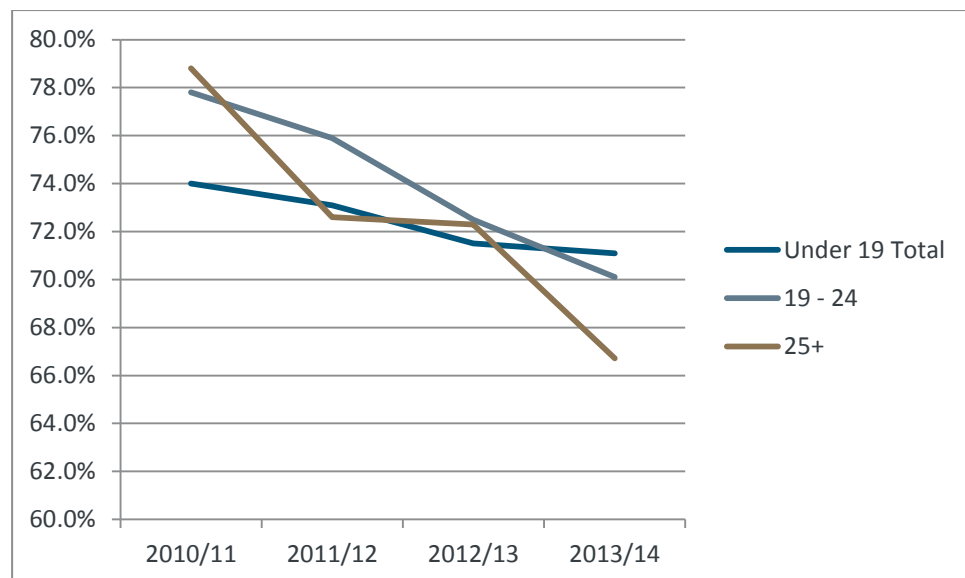
- better communication with both potential apprentices and employers to detail the advantages of apprenticeships and the support available to those with learning difficulties
- adjusting the minimum standard required for maths and English for apprentices with learning difficulties and disabilities
- investigating potential changes to the method of assessments for English and maths for targeted groups, as some people with



## Apprenticeship achievement rates

- 2.1 One of the key measures for success within the current apprenticeship system is increasing the number of apprenticeship starts. A great deal of effort and funding is directed at promoting the value of apprenticeships to both business and young people, in an attempt to increase the number of opportunities available and the pool of candidates willing to consider it as an option. While London lags behind other regions, it has still seen a large increase in the number of apprenticeship starts since 2010.
- 2.2 Achievement rates are a vital additional measure to help evaluate how well apprenticeships are delivering for young people and business. Measuring achievement within a complex system, where apprenticeships can stretch across multiple years and include various elements, is a challenge. The Qualified Achievement Rate (QAR) is the Government's attempt to provide meaningful data on how successful apprentices are within the system and includes the number of learning aims or apprenticeship frameworks that are achieved at any time.
- 2.3 While the number of apprentices has grown, achievement rates have started to slip. Too many apprentices fail to successfully complete their apprenticeship and the situation has worsened in recent years. Overall, achievement rates for apprenticeships declined from 73.8 per cent completion in 2011-12 to 68.9 per cent in 2013-14.<sup>11</sup> The most significant fall was in the 25 and over age group. This is especially concerning as this group represents the largest number of apprenticeships in the country.

**Chart 3: Apprenticeship achievement rates, by age, 2010-2014**

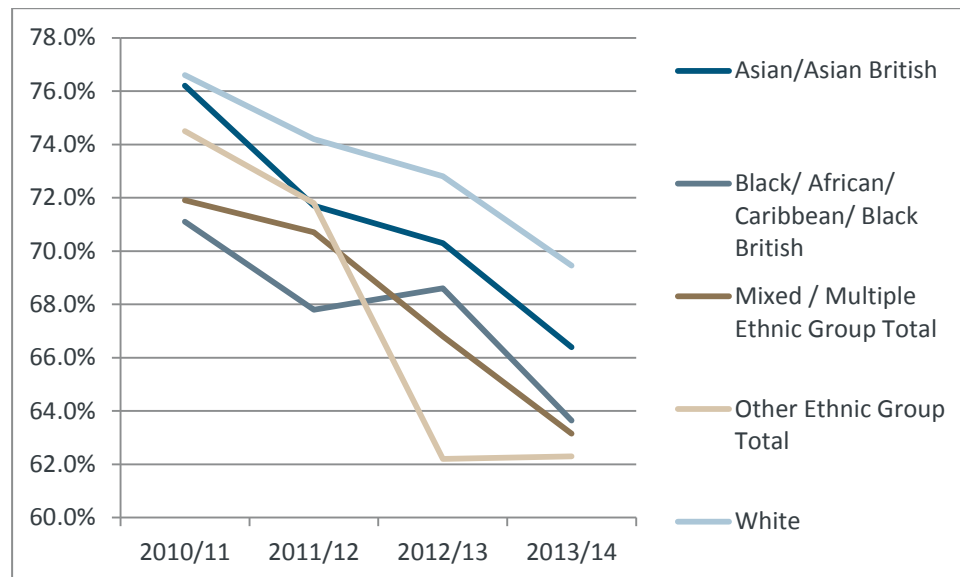


- 2.4 Apprentices from BAME backgrounds generally have lower achievement rates than the average data would indicate. For example, in 2013-14, the rate for



apprentices from black and Asian backgrounds was 62 and 63 per cent, respectively, while the overall achievement rate for those from white backgrounds was 72 per cent.<sup>12</sup> In general, rates have been falling across all ethnic groups in London since 2010, but those from BAME backgrounds have suffered greater drops across level 2 (Intermediate), 3 (Advanced) and 4 (Higher level) apprenticeships.<sup>13</sup>

**Chart 4: Apprenticeship achievement rates, by ethnicity, 2010-2014**



- 2.5 The reasons for this are complex. We heard that younger people in particular are often pushed into apprenticeships that they are unsuited for, and for which they do not have the skills to complete. Furthermore, the financial support offered to apprentices is often inadequate: the minimum wage for apprentices is £3.40 per hour, which applies to apprentices under 19 and those aged 19 or over who are in their first year. This makes an apprenticeship unaffordable for many people, who might struggle in the 12-18 month period when they are training. This is exacerbated by the wider cost of living issues in London, with higher costs of transport, childcare and housing limiting people's abilities to complete their training. There is also increased pressure on young people to start earning money quickly, with the increasing debt that many young people face. According to Ben Robinson of Community Links:

"I think there is a problem of ongoing support for people and the progression through the levels... I am speaking generally about people coming from poorer socio-economic backgrounds, but it is a struggle to stay in an apprenticeship for that length of time. They need additional support to be able to manage over a period of time."<sup>14</sup>

- 2.6 We also heard that apprentices have differing views on the quality of support offered by employers (please see below for report on Apprentice focus group). On whole, apprentices feel positive about their experiences and we

heard that most businesses were very supportive of their apprentice. At the other end of the spectrum, we heard about employers who consistently rostered staff for work at the time when they should be attending college, leading to those apprentices falling behind in their vital studies.

- 2.7 We understand that for many businesses, these are teething issues in the initial set-up of the programme. Greater attention needs to be paid to employers that do not adhere to the framework agreed with apprentices, and better information to allow employers to understand the competing demands placed on apprentice's workloads.
- 2.8 These are issues which will be a challenge to address. The quality of career advice and guidance in schools, and for adults who are already in the workforce, is a long standing Mayoral concern. In the short term, and in the absence of a quality pan-London careers advice service, greater focus will need to be placed on pre-apprenticeship courses and traineeships, to ensure that younger people have the basic skills to succeed and manage their training. Dr Carole Easton also recommended that more flexible apprenticeships should be offered, potentially on a part-time basis or across a longer timescale to allow women in particular to manage competing responsibilities.<sup>15</sup>

## Apprentice focus group

In November, we held a focus group with apprentices from Kingsway College to talk through their experiences in more depth. These apprentices represented a range of ages, levels and sectors, and provided real world examples of the challenges that many people face in navigating the apprenticeship system.

We heard in particular that much more needs to be done to support people in the period before starting an apprenticeship and to balance work, study and family commitments.

- Most of those attending the focus group had very limited support from schools and parents before becoming an apprentice. We were repeatedly told that schools and parents were focused too much on the university route to further education, to the exclusion of options which may have been more suited to the young person's needs. This was even the case for one individual whose older sibling had successfully completed an apprenticeship.
- Schools could also do more to help young people in the application and interview stage. Many of those at the focus group had been applying for an apprenticeship did so during the intensive preparation period for A-levels, yet the received no support from schools on how to prepare an apprentice application, or interview skills.
- We were also concerned for those already in organisations whose employers had placed them on an apprenticeship, in one instance, without their knowledge. Employers need to be upfront with their employees, particularly when it requires significant additional work outside of employment hours.
- Young Londoners in pupil referral units should also not be forgotten. We heard that for some young people who struggle academically or to fit into a school environment, apprenticeships may offer a structure to stabilise their lives, earn money and begin a positive career progression.
- The level of support offered by employers, and the communication between the learning institution and employers was seen as key. Focus group attendees spoke of employers who consistently rostered staff for work at the time when they should be attending college, leading to those apprentices falling behind in their vital studies
- Many apprentices had to complete the study and college work element of their apprenticeship at night or at weekends, despite being placed on the apprenticeship by employers. This provides a wealth of challenge to those who may have other caring responsibilities.

# 3. Quality of apprenticeships

## Key findings

- The rapid growth in the number of apprenticeships has led to claims from some employers that the quality of apprentices and the training offered has suffered.
- Over half of all apprenticeships are at intermediate level, i.e. level 2, which is equivalent to five GCSEs.
- While the number of higher level apprenticeships has grown in recent years, they still represent a small minority of all apprenticeship starts in London.
- The reputational damage to apprenticeships of low quality provision not only affects the number of businesses offering opportunities, but also the number of potential apprentices.

## Quality of apprenticeships

- 3.1 While the growth in the number of apprenticeships starts is to be welcomed, it has come at a price. There is a growing sense that apprenticeships are not delivering on quality, either for apprentices or businesses. According to the Federation of Small Businesses (FSB):
- “Focusing too heavily on achieving the numbers could lead to the proliferation of apprenticeships that have not been subject to the appropriate quality checks and rigour needed to guarantee that training meets the standards required by employers. There are already concerns that apprenticeships are not providing the quality training they promise, with FSB research finding that almost half of small businesses (42 per cent) lack confidence in the system to deliver high-quality apprenticeships.”<sup>16</sup>
- 3.2 Some training providers have also faced criticism for the quality of their apprenticeship provision. In his 2013-14 Annual Report on further education and skills, Her Majesty’s Chief Inspector for Education, Children’s Services and Skills, Sir Michael Wilshaw, raised concerns about the apprenticeships on offer in England.<sup>17</sup> He was particularly critical of the limited new skills developed by many apprentices and the mismatch between identified skills shortages and the apprenticeships on offer.
- 3.3 In December 2015, OFSTED released a report into apprenticeship quality. It found that:
- the quality of the apprenticeship provision reviewed was weak and failed to provide sufficient training to develop substantial new skills.
  - leaders of the apprenticeship provision reviewed did not focus sufficiently on improving the quality and impact of apprenticeships. Only half of the 22 providers visited for OFSTED’s survey had effective strategies for assuring the quality of apprenticeships.
  - apprenticeships for those aged 25 and over, especially at employment providers and in the retail and care industries, focused too much on accrediting existing skills to achieve the apprenticeship rather than developing substantive skills and advancing careers.<sup>18</sup>
- 3.4 The reputational damage to apprenticeships of low quality provision not only affects the number of businesses offering opportunities, but also the number of potential apprentices. We have heard repeatedly that the negative or dismissive attitude of parents and schools towards apprenticeships as a viable option for young people is a significant barrier to increasing participation. During our focus group with apprentices, we heard from several that parents were dismissive of apprenticeships, even in families where one child had already entered the system.

### Higher level apprenticeships

- 3.5 We are also concerned about the lack of action on higher level apprenticeships. In London, over half of apprenticeships are at Level 2 (or Intermediate). For example, in 2015-16, there were over 24,000 apprenticeships starts at Intermediate level, compared with over 18,000 at Advanced out of a total of just over 45,000 starts in London.<sup>19</sup> While these apprenticeships can provide necessary skills for people who did not succeed in school, the overwhelming focus on this lower level of apprenticeship has driven the perception that apprenticeships are not a pathway to a good job. There is little evidence that there is any defined pathway for those who wish to progress to Advanced (equivalent to A level) and Higher (equivalent to a degree) apprenticeships.
- 3.6 Both employers and Government recognise that, in the long term, London needs more highly skilled apprentices. But the opportunities for that qualification are relatively few. In 2010-11, just 100 Higher Level Apprenticeships were started in London. While this increased to 2,720 by 2015-16 it still represented less than six per cent of all apprenticeship starts.<sup>20</sup>
- 3.7 In discussion, Barry Mortimer of the Federation of Master Builders highlighted to us how poor quality provision affects the wider apprenticeship drive:
- “Really it is a simple equation: there is supply and demand. You need to have a pool of people who want to be apprentices, that is young people, but we also need their parents to want them to be apprentices, we need the teachers, we need the career advisers. So the watering-down of the quality of apprenticeships affects that whole supply side. Likewise, that affects the demand side, and particularly we picked that up in our research with small and medium-sized builders. I think that is one of the main issues.”<sup>21</sup>

# 4. The future of apprenticeships in London

## Key findings

- The Government's reform programme will address some of the challenges for London's apprenticeship system, particularly for larger companies who will be subject to the apprenticeship levy.
- However, the reform programme will take time to become effective and will not directly address diversity and gender pay issues.
- Businesses will play the key organising role in apprenticeships in the future, with large demands placed on employers to both manage the apprentice experience and identify strategic goals for their sectors.
- The Mayor and other stakeholders must continue to make the case for a fair funding settlement for London's apprentices, employers and training providers.

## The future of apprenticeships in London

- 4.1 The Government is part-way through a significant reform programme for apprenticeships. The key changes include:
- A new set of apprenticeship standards: These standards will replace the old frameworks system, and will better describe the skills, knowledge and behaviours that an individual will be required to meet to be deemed competent in an occupation.
  - Apprenticeship levy: A major part of the Government's reforms is to place apprenticeship funding more directly in the control of employers. To achieve this, the Government is introducing a levy on employers to fund apprenticeships from April 2017. It will be collected from eligible employers through the Pay As You Earn system and apply to both the public and private sectors across the UK.
- 4.2 The move towards apprenticeship standards is generally seen as positive. Jeremy Hempstead, Chief Executive of the London Apprenticeship Company, told us that the new set of standards that have already been developed "are of a completely different nature and quality as to what went before".<sup>22</sup> The National Audit Office (NAO) reports high levels of satisfaction with the standards that have been developed. However, the development process is significantly longer than originally intended and requires a more intensive commitment from employers. The original intention was to have all apprenticeships starting on the new standards by 2017, but that has now been extended to 2020.<sup>23</sup> We also heard concerns from the Young Women's Trust and Community Links that some of the new standards are too specific and do not provide a set of transferable skills that apprentices can take to other employment.<sup>24</sup>
- 4.3 The introduction of the apprenticeship levy, and the broader policy of increasing employer ownership of apprenticeships, is potentially more problematic. Jeremy Hempstead argued that the levy would help incentivise employers to become more involved in supporting apprentices, and increasing the number of higher level opportunities. He also said it was an opportunity for sectors, such as financial services, which have not traditionally offered apprenticeships, to expand the opportunities available.<sup>25</sup> Yet there is a large degree of uncertainty in the business community about how the levy will operate in practice, and whether the system has the appropriate capacity to meet their needs. A recent report by the Public Accounts Committee also highlighted areas where large businesses could essentially 'game the system' and include other workplace training under the general apprenticeships term.
- 4.4 The Government has taken steps to improve the diversity of the apprentice pool. It set a target of increasing the proportion of apprenticeships started by young people from BAME backgrounds by 20 per cent by 2020. The Department for Education, which was given sole responsibility for apprenticeships in the summer of 2015, ran advertising campaigns specifically



targeted at marginalised groups, as well as improving the information given to sectors about current levels of diversity.

- 4.5 While these are useful for increasing the number of likely candidates, we are concerned that the Government's current approach does not do enough to change the entrenched gender and ethnic segregations within various industries. Under the new system individual employers and sectors will ultimately be responsible for improving diversity, with the National Apprenticeship Service playing an advisory and support role.
- 4.6 The big unknown remains the extent to which employers are informed enough to accept ownership of apprenticeships. This is particularly the case for Small and Medium Enterprises (SMEs), which are such an important part of the London's economy. We have previously questioned the assumption that SMEs will have the staffing and financial resources to play a central role in identifying quality providers and managing the apprentice experience.<sup>26</sup>
- 4.7 The Government recognises that the complexity of the apprenticeships system can act as a barrier to business engagement. In order to simplify the system and make it easier for businesses to engage, the Skills Funding Agency (SFA) proposed a new set of funding bands, through which the Government provides support for particular courses. In practice, these new proposals would have resulted in disproportionate funding cuts to courses which are particularly popular with people from a BAME background. According to an analysis carried out by *FE Weekly*, the initial proposals would have reduced funding for 16-18 year-old apprentices by around 30 per cent. Furthermore, under current rules, additional funding is available to help deliver apprenticeships in deprived areas. The SFA had proposed to remove this uplift, which due to the higher costs of training provision in London may lead to the closure of some training providers.
- 4.8 These proposals led to a significant outcry from politicians, training providers and employers. Based on the feedback from stakeholders, the Government has reversed many of these proposed changes, and instead announced an additional 20 per cent payment for the training of 16-18 year olds, and retention of a modified form of the funding uplift available to disadvantaged areas. While the details of this modified system have yet to be announced, we welcome the commitment to provide additional support for younger people from disadvantaged backgrounds, but we still need to see the detail.
- 4.9 The question of how prepared businesses are to manage the system has a particular relevance for ensuring greater diversity within apprenticeships. According to the SFA, businesses will be expected to take the lead in managing diversity through their recruitment practices. We are concerned that this will lead to a lack of strategic grip on this issue, as any one business or even sector will find it challenging to provide an overview of issues such as ethnic representation in higher level apprenticeships or gender segregation.<sup>27</sup>

# 5. Tackling skill shortages: case studies of the construction and digital tech sectors

## Key findings

- Construction and tech will play major roles in the future of the London economy. They are seen as vital to developing the infrastructure of a rapidly growing city, and helping improve it as a place to live.
- Both these sectors are threatened by the growing skills gap in London, yet they seem poorly equipped to train up apprentices: London is the worst performing region for apprentices in the construction sector and its tech sector the second lowest performing sector in the capital.
- Careers guidance in schools remains an issue, exacerbated by the lack of knowledge from teachers about the range of opportunities available in construction. Similarly, tech SMEs struggle to influence school curriculum content, and thus are less likely to consider apprenticeships fit for their needs.

## Tackling skill shortages: case studies of the construction and digital tech sectors

- 5.1 The construction and digital tech sectors are examples of an established and an emerging industry which highlight a skills gap threatening their future success. Both are vital to the long term economic health of London. Yet, they also demonstrate the challenges that sectors have in increasing apprentice participation and the need to develop interventions which address the specific needs of sectors.
- 5.2 Successful construction and digital tech sectors are vital to the long term economic health of London; they provide the infrastructure to support a rapidly growing city and help improve it as a place to live. The sectors are different in their skill needs, yet they both, in their own ways, demonstrate the challenges that sectors have in increasing apprentice participation.
- 5.3 Our 2013 report into the construction sector found that while over a quarter of a million people work in the industry in London, it suffers from significant skills shortages (in relation to jobs such as glaziers, plasterers, dry-liners and building envelope specialists), and there remains inadequate training provision in London for these skills. It also has an ageing workforce, with 30 per cent of the workforce over 50 years old. The industry in London is coping thus far because of a large influx in migrant workers. However, access to this source of labour may become more problematic in future – there is a high degree of uncertainty about the impact of the UK's exit from the EU.
- 5.4 Despite a clear need to train up people in key construction roles, London is the worst performing region for apprentices in the construction sector. Since 2010, the capital has ranked last in England in terms of the number of apprenticeship starts in the Construction, Planning and the Built Environment. It is also a sector where the gender divide is at its most stark.<sup>28</sup>

**Table 3: Apprenticeship starts in Construction, Planning and the Built Environment in London 2010-11 to 2015-16**

Year	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15	2015 -16
<b>Starts</b>	3,040	2,210	1,970	2,100	2,440	1,570

- 5.5 The digital tech sector, the subject of our 2015 report setting out a manifesto for the digital economy, has emerged as a major asset to London in the last decade. The digital economy has grown from around 250 tech firms in 2010 at the launch of the Tech City initiative, to more than 5,000 today. Over 250,000 people are currently employed in Inner London's digital sector. Despite this rapid growth, London's tech sector offers less than 0.4 apprenticeships per 100 employees, making it the second lowest performing sector in the capital.<sup>29</sup>

5.6 These two sectors are very different, yet report many of the same problems:

- Most tech businesses in need of talent are SMEs. Despite a desire to be socially responsible, SMEs offer few apprenticeships, due to cost, and the perceived burden of staff who are not yet appropriately skilled. Similarly, many large construction projects are staffed by much smaller contractors, which work flexibly and who may not have the resources to take on an apprentice for 12-18 months training.
- Careers guidance in schools remains an issue. The Federation of Master Builders told us that engagement with individual schools was difficult, citing instances where school management had made a pre-emptive decision that only its male students would be allowed to listen to a presentation from the construction sector. This was exacerbated by the lack of knowledge from teachers about the range of opportunities available.<sup>30</sup> Similarly, tech SMEs struggle to influence school curriculum content, and thus are less likely to consider apprenticeships fit for their needs.<sup>31</sup>
- Finally, government and local authority rules about what constitutes an apprenticeship can often have unintended consequences. For example, the tech sector reports that the type of training that workers receive does not fit in with the strict definition of an apprenticeship and is therefore ineligible for funding. Many small construction firms, which work across several boroughs, face different rules from each local authority about whether their apprenticeships are counted.<sup>32</sup>

5.7 To succeed, London will need both construction and digital tech sectors to thrive. There is clear potential for greater apprentice involvement, but policy makers and in particular the Mayor will have to think more radically as to how the apprenticeship model can be made to work for the London economy.

## 6. Trained in London: a new approach to apprenticeships

- In order for London to contribute around the same proportion of apprenticeships to the new Government total, it would need to increase the number of apprenticeships from an average of 44,000 a year to 57,000.
- The Mayor should avoid setting a numerical target for the number of apprenticeships and focus his energies on improving the quality of apprenticeships across skill levels.
- The Mayor should undertake a renewed push for an independent, pan-London careers advice service, which can offer informed, tailored careers advice to help support young people into relevant vocational training. It should also include provision for helping young people in Pupil Referral Units.

## Trained in London: a new approach to apprenticeships

- 6.1 In the 2015 Autumn Statement, the Government announced that its goal was to deliver three million apprenticeship starts by 2020. This is an increase of roughly 500,000 on what was achieved in the previous Parliament. The GLA estimates that, in order for London to contribute around the same proportion of apprenticeships to the new total, it would need to increase the number of apprenticeships from an average of 44,000 a year to 57,000.<sup>33</sup> In 2015-16, London achieved just over 45,000 apprenticeship starts.
- 6.2 This target creates a situation whereby the Government is attempting large scale structural reforms to apprenticeship funding and training, at the same time as reducing its own financial stake in the system, improving quality and driving up numbers. The views we have heard from the NAO, GLA, CBI and several other large stakeholder institutions are that reaching for a numerical figure during a period of complex change is unrealistic, and may help to exacerbate some of the problems already within the system.
- 6.3 The Mayor is currently in the process of forming his skills agenda, which will include how the GLA will approach apprenticeship promotion during his term. We believe that setting a numerical target for apprenticeship starts would be impractical: there is deep uncertainty within the current system and even if the Government reforms work, they are unlikely to be fully effective for several years.
- 6.4 There are however several areas where the Mayor should use his influence to:
- **Lobby the Skills Funding Agency to protect London's apprenticeship funding, including retaining a fair settlement under the modified disadvantaged area support system.**
  - **Commit the London Economic Action Partnership (LEAP) to publish annual, London-specific apprenticeship data, which take into account starts and achievement rates and is broken down by ethnicity, gender, disability, age, sector and qualification level. This will help the business sector better understand how it is dealing with increasing diversity in apprenticeship standards and levels.**
  - **Help large organisations in London make the most of the apprenticeship levy, by offering advice and guidance, and promoting best practice within the GLA Functional Bodies.**
- 6.5 **More strategically, the Mayor will have to consider the role that apprenticeships can play in closing the long-term skills gap in London.** The Mayor is establishing a new Skills for London taskforce that will develop a city-wide, strategic approach to skills, identifying gaps in provision and ensuring that currently disparate programmes and funding streams, across the public, private and voluntary sectors, work in concert. This will need to take into

account how London can substantially increase apprenticeships at Higher Level and above, and how it can take advantage of the new Degree Level apprenticeships announced by the Government last year. Small and Medium Enterprises (SME) employ 98 per cent of all workers in London and many have raised concerns over the implementation of the Apprenticeship Levy from April 2017. The Mayor will need to take the needs and concerns of SMEs into account in his skills strategy.

- 6.6 In order to better understand the apprenticeship environment, the Skills for London taskforce should consider:
- Identifying the barriers that BME, women and disabled people face.
  - Exploring the feasibility of flexible and part time apprenticeships, and accessibility for those with low or no qualifications.
  - Continuing to promote the benefits of apprenticeships as career options and routes into employment.
  - Examining the barriers for SME's taking on apprentices and what, if any, incentives are required.
  - Investigating the challenges that training providers face and what support is needed to ensure a vibrant base of providers in London.
- 6.7 **The Mayor could also play an expanded role in driving up standards in apprentice training in the future.** In the 2016 Autumn Statement, the Government announced that it would be devolving the Adult Education Budget to London from 2019-20, which aims to enable local areas and colleges and other training organisations to reshape their local adult education provision. This success of this devolution will have a direct impact on the experiences of tens of thousands of apprentices in the future. The Mayor should also continue to promote better conditions for apprentices, and encourage increasing the level of pay for apprentices beyond the statutory requirements.
- 6.8 **There is also a need for better information for young people, parents and schools on the value of apprenticeships, and the potential for career progression within the system.** We are concerned to hear from young people and apprentices about the views that parents and teachers continue to hold, despite past publicity campaigns to promote apprenticeships from both central government and the GLA.
- 6.9 **The Mayor should undertake a renewed push for an independent, pan-London careers advice service,** that can offer informed, tailored careers advice to support young people into relevant vocational training. This could include looking at how schools inform young people about the choices that are available to them, and improving the support offered to those who are interested in pursuing an apprenticeship or other kinds of vocational training, including help with applications and the interview process.

# References

<sup>1</sup> *Trained in London: Creating more apprenticeships to support the London economy*, The London Assembly Economy Committee, October 2014

<sup>2</sup> [2014 round ethnic group population projections](#), London Datastore – Figures are based on the GLA’s population projections for 2015

<sup>3</sup> [Apprenticeships Starts and Completions, Region and Local Authority](#), London Datastore

<sup>4</sup> Under the current system, there are over 200 different types of apprenticeships (known as frameworks) available in thirteen broad sector areas. These frameworks can be studied to Intermediate levels (i.e. level 2 or equivalent to five GCSE passes), Advanced (i.e. level 3 or equivalent to 2 A-level passes) or Higher and Degree Apprenticeships (i.e. level 4 or a Foundation degree and above).

<sup>5</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016

<sup>6</sup> [Levels of Success: the potential of UK apprenticeships](#), the Sutton Trust, October 2015

<sup>7</sup> Data provided in response to Mayors Question [2016/4970](#)

<sup>8</sup> [Making apprenticeships work for young women](#), Young Women’s Trust, March 2016

<sup>9</sup> [Appendices to the Mayor of London’s Annual Report](#), the Mayor of London, June 2016

<sup>10</sup> [Paul Maynard taskforce recommendations](#), July 2016

<sup>11</sup> [Apprenticeships Success Rates](#), Skills Funding Agency

<sup>12</sup> [Apprenticeships Success Rates](#), Skills Funding Agency

<sup>13</sup> Under the current system, there are over 200 different types of apprenticeships (known as frameworks) available in thirteen broad sector areas. These frameworks can be studied to Intermediate levels (i.e. level 2 or equivalent to five GCSE passes), Advanced (i.e. level 3 or equivalent to 2 A-level passes) or Higher and Degree Apprenticeships (i.e. level 4 or a Foundation degree and above).

<sup>14</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016

<sup>15</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016

<sup>16</sup> Submission to the Education and Skills sub-committee, Federation of Small Businesses, March 2016

<sup>17</sup> [Annual Report 2013/14: further education and skills report](#), OFSTED, December 2014

<sup>18</sup> [Apprenticeships: developing skills for future prosperity](#), OFSTED, October 2015

<sup>19</sup> [Apprenticeship Programme Starts by Region, Level and Age](#). Skills Funding Agency



- <sup>20</sup> Data provided in response to Mayors Question [MQ 2016/4968](#)
- <sup>21</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016
- <sup>22</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016
- <sup>23</sup> [Delivering value through the apprenticeships programme](#), National Audit Office, September 2016
- <sup>24</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016
- <sup>25</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016
- <sup>26</sup> *Trained in London: Creating more apprenticeships to support the London economy*, The London Assembly Economy Committee, October 2014
- <sup>27</sup> Letter from Skills Funding Agency to the Chair of the London Assembly Economy Committee, November 2016
- <sup>28</sup> [Apprenticeship Programme Starts by Region, Level and Age](#). Skills Funding Agency
- <sup>29</sup> [A Mayoral Manifesto for the Digital Economy](#), London Assembly Economy Committee, December 2015
- <sup>30</sup> [Transcript, London Assembly Economy Committee](#), 7 September 2016
- <sup>31</sup> [A Mayoral Manifesto for the Digital Economy](#), London Assembly Economy Committee, December 2015
- <sup>32</sup> Submission to the Economy Committee investigation, Tolent Construction Ltd
- <sup>33</sup> Submission to the Education and Skills sub-Committee, Greater London Authority, March 2016

# Other formats and languages

If you, or someone you know, needs a copy of this report in large print or braille, or a copy of the summary and main findings in another language, then please call us on: 020 7983 4100 or email: [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

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## Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

## Greek

*Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.*

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## Punjabi

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## Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

## Bengali

আপনি যদি এই দলিলের একটি সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফোন করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

## Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

## Arabic

الحصول على ملخص لهذا المستند بلغة،  
فرجاء الاتصال برقم الهاتف أو الاتصال على  
العنوان البريدي العادي أو عنوان البريدي  
الالكتروني أعلاه.

## Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોડતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.



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