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THE SELECT COMMITTEE ON ECONOMIC AFFAIRS

APPRENTICESHIP: A KEY ROUTE TO SKILL

TUESDAY 20 MAY 2008

RT HON JOHN DENHAM, MP and MR STEPHEN MARSTON

Evidence heard in Public

Questions 1 - 30

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TUESDAY 20 MARY 2008

Present

Best, L
Kingsdown, L
Layard, L
Macdonald of Tradeston, L
Paul, L
Turner of Ecchinswell, L
Vallance of Tummel, L (Chairman)

Memorandum submitted by Department for Innovation, Universities and Skills

Examination of Witnesses

Witnesses: **Rt Hon John Denham, MP**, Secretary of State, and **Mr Stephen Marston**, Director General, Further Education and Skills Group, Department for Innovation, Universities and Skills, examined.

Q1 Chairman: Welcome, Secretary of State and Mr Marston. Thank you very much for spending some time here with us this afternoon. As you will be aware, the Committee has a continuing interest in apprenticeships and this should give us an opportunity to get up-to-date. I do not know, Secretary of State, whether you would like to say anything by way of introduction. If not, we will just go straight into questions.

Mr Denham: Perhaps I could just say very briefly that I am pleased to be able to come here this afternoon. We found the report that the Committee did last year extremely helpful and extremely timely; it came just after the new department started and when we were looking ourselves at the apprenticeship system and the way we wanted to go. I think the input that was there right at the very beginning, really, from the Committee was enormously helpful. So

I would like to place that on the record. I hope you feel that we have, at least, learned something from what you said.

Q2 Chairman: Thank you very much for that. Perhaps I can start the questions. There was a recent report from your Department, which I think was on the pay of apprenticeships, which found that apprentices received less on-the-job and less off-the-job training in 2007 than in 2005, and the figures were quite startling. Off-the-job training decreased, on average, from 5.5 to 3 hours per week and on-the-job from 12 hours to 8.5 hours per week. We wondered whether you might tell us why you think that has happened, whether there is any action that you think the Government might take to change the trend or perhaps even, as there has been some legislation suggested in the pre-Queen speech, whether there might be a clause which addresses that issue.

Mr Denham: Certainly that last point I will come to in a moment, but I can respond positively on that. Yes, if you get these sorts of figures in a report you obviously have to take them seriously. I think we are at the stage, at the moment, of trying to do some further work by looking at inspection reports and, possibly, by asking Ofsted to go and look at this in more detail to understand the figures. What we do need to understand is that the figures reflect how apprentices themselves see their own training, and therefore we should respect it but it is, also, of course, the case that probably (one can only say that for the moment) more on-the-job training is delivered in a structured way, compared with perhaps the situation a few years ago. So the strict demarcation into training off-the-job and on-the-job may not always be as clear to the apprentice, but I do not in any way wish to dismiss the figures – it is something we do want to understand. That is why we are looking at the inspection reports and we are considering asking Ofsted to go and have a look at this. When we publish the Draft Apprenticeships Bill it will include proposals for an apprenticeship blueprint, which should help us set a proper national framework which sets out the expectations that apprentices have

of what they should get from an apprenticeship – not necessarily, I think, in terms of an absolute strict number of hours, because that is bound to vary from situation to situation, but at least the levels of training which should be available. So I hope, because that blueprint will become part of the framework for apprenticeships and become part of what defines a proper apprenticeship, we should be able to deal with some of these issues through that mechanism. So we have both a commitment to understand what is going on and, I think, a commitment to find the right framework to deal with it.

Q3 Chairman: So no minimum proportion of time devoted to training?

Mr Denham: We are cautious – I think I would say that to the Committee this afternoon – to say that across the board of the entire range of apprenticeships that will exist in many different settings and many different occupations we should define a minimum number of hours or a minimum proportion. We need to look at this in more detail as the National Apprenticeship Service develops the blueprint and starts to specify the content, when it will be clearer whether we need to go any further than that. At the moment, I would be honestly picking a figure out of mid-air and saying: “This is what I think the minimum number of hours should be”.

Q4 Lord Layard: I can see there is a great problem in relation to on-the-job training and the exact definition of what that is, but off-the-job is a relatively clear concept. I had the impression, and I think other people had the impression, that there was a commitment to the equivalent of a day-a-week off-the-job. Is that wrong?

Mr Denham: I do not think there is a fixed commitment to off-the-job training in such a sort of strict, numerical way. I think it is perfectly true that we very often talk about apprenticeships as having, typically, that sort of balance of the amount of time you spend at work and the amount of time you spend away, obviously (quite a lot of apprenticeships will

do three weeks on the job and a week at college - there are all sorts of different structures) but we have not, to the best of my knowledge, defined it as rigorously as that. I do think, my Lord Chairman, as we develop the blueprint, we need to make sure it has enough content to really safeguard the value of the apprenticeship as a system of training. I will certainly say to the Committee we will look at these issues in more detail with the NAS as they develop it. Just at the moment, though, I am cautious about saying to you: “Yes, we think we could easily define a set number of hours” and say that would always be appropriate in all the circumstances.

Chairman: The minimum of one day a week was something that we recommended in our report.

Q5 Lord Macdonald of Tradeston: As you may recall, Secretary of State, our report drew attention to the way in which the Government’s Train to Gain scheme offered employers more favourable funding arrangements for training to Level 2 than are offered by funding for apprentices. Has this situation been rectified?

Mr Denham: We were slightly unclear about the Committee’s recommendation on this point. Typically, it will cost us about twice as much to support an apprentice doing an apprenticeship to Level 2 as the same person simply doing a Level 2 through Train to Gain. We think they are more expensive for us than they should be because it is, if you like, a premium product. So we were a little unclear what the Committee was identifying here as an anomaly. It certainly is not the case that a Train to Gain qualification pays more in terms of training costs than the apprenticeship.

Lord Layard: I thought the issue was whether the employer was expected – if the person was over 18 – to pay for their off-the-job training. Have I got that right?

Q6 Chairman: I think that regulation has now been changed by the LSC. On the other hand, we understood that employers might receive some compensation for the employee pay.

Mr Denham: Right. I can see the point. It is quite true that in the Train to Gain system there is wage compensation for smaller companies training up to Level 2. It is not always taken up by employers but it is within the system. That does not currently exist uniformly on apprenticeships, but we did say in the apprenticeship review that we want, over the coming year, to pilot a wage compensation mechanism for apprenticeships. So if that is the issue, the Committee is quite right, that existed in Train to Gain. At the time of your report it was not there at all for apprenticeships. It obviously is potentially quite expensive but we do want to find the resources, at least, to pilot it and to see whether it would be a cost-effective way of supporting apprenticeships in small companies.

Q7 Chairman: Certainly the evidence we took in our report suggested that the level of incentive and where the incentive went to is extremely important. Therefore, the relative incentives between schemes are important as well.

Mr Denham: Yes.

Q8 Lord Best: Still on the Train to Gain, in terms of the distinction in responsibilities with the new National Apprenticeship Service and the relationship of both of them to employers, is there a little bit of a danger of overlap, duplication or a lack of clarity as to the respective responsibilities of the two bodies?

Mr Denham: No. We work very hard to make sure there is not any confusion. I understand why the issue has been raised. For the larger employers, who will, at the moment, engage with the National Employer Service in the LSC, one of the reasons for having the core staffing of the National Apprenticeships Service in the LSC is so that one point, effectively, can engage with a major employer across a whole range of training, because many companies

that we deal with will be offering apprenticeships and also utilising Train to Gain. So we want that to be a coherent discussion. For smaller companies, and particularly those that need to be approached about these issues, the Train to Gain brokerage (which I suppose truly does cold-calling and rings round and tries to offer an engagement in discussion about training needs) will be able to encourage both support for apprenticeships and support for Train to Gain, as we have it at the moment. The National Apprenticeship Service will be there to offer the support. Once somebody says “Yes, I am interested in exploring an apprenticeship”, the National Apprenticeship Service is there to discuss in detail with the employer how that would be supported, what sort of framework should exist for the apprenticeship, and so on. So we, hopefully, provide the advantages, from an employer point of view, of a single initial point of contact to get the discussion going, but, secondly, of the specialist and bespoke service to support those employers who want to offer the apprenticeship. We will work very hard to make sure that the system is clear to the employer who wants to engage in the system. What we have tried to avoid doing is a system that entirely separates out different types of training, because many employers will want to discuss the whole of their training needs, not talk to one person about one and another person about another.

Q9 Lord Kingsdown: We have an executive summary of the Government’s “World-class Apprenticeships” paper, and it is a terrific survey, if I may say so and a great glimpse for the future. May I just ask you one question about progress for the present, up to now? That is to do with the so-called “matching service” – matching up applicants with apprenticeship places – which is proposed in our report. I think this says that it has already being piloted. Has much been learnt so far from the pilot, and can we look forward to a national service from this?

Mr Denham: Yes, the national service should roll out from September of this year. We have it being piloted at the moment in Hampshire, in the Isle of Wight (which is where my

constituency is), in Cambridgeshire and in the West of England. I checked this morning: in Hampshire something like 17,000 people actually registered with the service (this is potential trainees) which I think is very encouraging. That is a couple of counties which, together, I think, offer about 6,000 apprenticeship starts per year, so it suggests a potential demand and interest out there. We certainly know we are getting more inquiries; we know that we are getting more people wanting to apply to do apprenticeships; we know that employers are registering with this because they want to make their apprenticeships available. It is a little early yet, I think, to be absolutely clear how successful the service is at directing the unsuccessful applicant to an apprenticeship vacancy that might be available somewhere else, but I think we are confident that that will grow in time. The service we have at the moment is limited geographically. For example, the Hampshire service does not exchange information with the West of England pilot. The national service, of course, will be a national system, and so information will be available around the country.

Q10 Lord Kingsdown: Will the availability of places, though, for apprentices be uniform over the whole country? Presumably not, when this is universal.

Mr Denham: No.

Q11 Lord Kingsdown: How does it match up the need?

Mr Denham: For example, in London we are, per head of population, much less well-provided with apprenticeship places than in other parts of the country. Where we want to get to is a position where employers routinely see it to their advantage to register their programmes on the matching service. So, for example, in the hinterland around London, where there are generally more places on offer, that would enable somebody who is in London to identify something which may exist a few miles north, west or south of the city, and to make an application there. Obviously, at the same time, we will be doing a lot of work

to build up the number of vacancies and the number of opportunities in London. The idea is simply that somebody is able to check to see if there is not a vacancy in their chosen field in their area; there may well be one available elsewhere, and that is quite important. We have, certainly, parts of the country where, at the moment, people struggle to fill the apprenticeships they offer, even though they are quite highly prized ones to Level 3. Bringing that information to a wider audience will help people to fill them.

Q12 Lord Turner of Ecchinswell: I wonder whether you could comment on the issue of the progression or, at the moment, relative lack of progression from apprenticeships through to higher education – people who have an apprenticeship and then manage the transition through to higher education routes. It is something that our report commented on, as indeed other reports have commented on. It would be desirable that there are as many routes as possible for people to enter higher education. I wonder whether you could comment upon what you perceive as the policies that can help address that and whether they are at all complicated by the division of responsibilities between the schools area and the skills and universities area – at least in relation to teenage apprenticeships.

Mr Denham: I do not believe that the division of responsibility between two partners is a complicating factor. We work very closely together. The Chief Executive of the National Apprenticeship Service will report directly to the two Secretaries of State for the two departments, and we are working very hard at official level to make sure the structures work closely together. I agree with you about the importance of progression and I think it is a hallmark of a number of the most successful and most widely praised schemes – the BT scheme and the Rolls Royce scheme, and others – that a significant number of apprentices do progress on to university. I think, particularly, with the development of foundation degrees providing a further vocationally orientated degree as an option, that will grow. We are doing two or three things, in practical terms. One is we are encouraging, up and down the country,

lifelong learning networks to sign agreements which exist between higher education providers, FE colleges and other training providers in an area, and they will often set out quite explicitly the commitment they make to encourage transitions from one form of training to another. It is not uncommon for those agreements, for example, to commit some higher education institutions to offer a place to anybody who achieves a Level 3 qualification in an area, and that would be Level 3 whether it is expressed as A Level or a Level 3 vocational qualification. There are a number of those agreements in place. So we would encourage higher education providers to include apprenticeships to the appropriate level within those agreements at local level. The second thing we are doing is working with UCAS and HEFCE to give a proper weighting to the apprenticeship framework. Two of the most popular ones for higher education progression -the IT apprenticeship and the engineering apprenticeship – now have tariff points exactly the same as an A Level has a tariff point, so it can be counted and seen by a university as having a certain weight and certain rating for university applications. If we get the right progression agreements, if we have the right accreditation of achievement in apprenticeships and, crucially, we also have employers who see this as quite a natural way of developing a member of their staff – so the apprenticeship is not the end of the training – that will lead more people to come through this route.

Q13 Lord Paul: Our report called for Government funding to be paid directly to employers offering apprenticeships in order to encourage them to supply more places. You have partly accepted that in outline plans for an “apprenticeship credit” to put Government money towards the training costs for 18-19 year-olds. Is there any particular reason why other age groups have not been included?

Mr Denham: I do not want to disappoint the Committee, my Lord Chairman, because we probably have not quite accepted the point as fulsomely as it sounds. There are two issues here: one is we want to make the value of an apprenticeship training more visible to

employers. Many employers still do not understand quite how much public money is available to support an apprenticeship. The credit voucher, which we will begin to put in place in some areas of the country later this year, is an attempt for an 18-year-old to say (if they were, for example, thinking of doing an engineering apprenticeship): “I am worth £15,000”, and actually getting the employer to see that. That process is part of a much bigger project in my department which is to develop personal skills accounts and a virtual purchasing power for people across the whole range of vocational qualifications. It is making the money that we make available much more visible to the employer. It is not a real cash pot, so the individual does not have the money to pay over as a cheque. Once you have got the employer engaged, the system funding the apprenticeship is as the rest of the system operates, but we think that by making the financing more visible it will have a bigger impact. We did look in some detail during the autumn at the Committee’s proposal to pay the money direct to employers. There are quite a lot of circumstances where we already do that. Many of the big, national companies that engage with the National Employer Service have a direct contract for the delivery of apprenticeships. Our judgment is still that many smaller companies would prefer not to be taking on all of the extra administration that goes with handling the money directly, and prefer to work through a training provider. So we have not switched the whole system over to moving all the cash to employers. I think there is a difference of view here between the Committee’s judgment of what we should do and where we are. We are concerned seriously that if we mandated the system to move in that direction some employers would not want to participate because of the extra responsibilities that come with it.

Q14 Chairman: May I press that a little further, for a moment? The big issue here is the SMEs – the big companies, fine, a lot of them have traditions in apprenticeship, and which way it is paid does not matter too much one way or another. The key thing is how do you incentivise SMEs who do not have apprenticeship schemes at the moment to take them up? It

is very easy for SMEs to say: “I have too many other things to do and I do not want to take this on as well.” Therefore, the nature of the incentive – and it is partly the level of it financially – and whether it comes to them or goes elsewhere, I think, is quite important here. This is an area which has been a road paved with good intentions for many decades back; this is an issue of execution, and one of the reasons why the Committee put forward the suggestion was that you have, somehow, got to crack that business of the SMEs SMEs respond to money. That is the area I think you need to look at.

Mr Denham: I think there are two or three things. We accept, at least in principle, though we have to squeeze the budget, that ways to compensation, ways to subsidies for SMEs may be an important way in this area. So we are contributing towards the wage costs at some point as well as the training cost, and that is the most direct financial subsidy that we envisage in the “World-class Apprenticeships” document. The second thing I think we have to do is to tackle what is perceived, and sometimes rightly, as the bureaucracy that surrounds this for the smaller employer. One of the reasons that we think the smaller employers may wish to work with training providers or Group Training Associations is that somebody else can deal with all of that. That does not actually preclude us trying to reduce the bureaucracy, because I am not yet convinced we have got on top of all the bureaucracy that is in the system, but if we can make it financially worthwhile, if we can deal with the bureaucracy – and there are some issues around flexibility, particularly for the employment of younger apprentices at 16 and 17 (which is a difficult debate but one that we need to look at) – we just need to make it as simple as possible for the SME. My sense is if we can do those things effectively we will address most of the concerns that are there in the SMEs that genuinely wish to train and commit people, but we have some way to go yet, I think, until we can say we have delivered all elements of that package.

Q15 Lord Paul: Why not extend it beyond 18-19 years?

Mr Denham: Apprentices do go on. There is a reality about the way the system operates at the moment, and may do, for good reason, for sometime to come, that quite a few employers will look to recruit at 17, 18 or 19 – and certainly beyond – rather than at 16, partly because of perceptions (sometimes reality is about what you can allow a young person to do in the workplace when they have only just reached that age). Some of these issues, of course, we will have to revisit again, anyway, as we raise the participation age, because many of the people who will be staying and training to 18 will be on work-based training, they will not be in colleges and they will not be in schools – that is the way we see these things going. We certainly, also, want to extend the use of apprenticeships outside the area that we usually regard as “young people”. So, for the first time this year, we have included a budget line for about 10,000 apprenticeships a year aimed at those over 25, and that in part is responding to a clear demand from employers to be able to offer the same model of training to workers who are trying to re-skill mid-career, as well as the young people coming through.

Q16 Lord Layard: I wanted to ask you about the guaranteed apprenticeship, because I suppose that to get that in place by 2013 is, perhaps, the biggest single challenge facing the system. I wonder if I could ask three questions related to it. Who is actually going to be responsible for it being delivered? How many more places do you think this will require for 16, 17 or 18-year-olds, and how generally, between now and then, are you going to make sure that you have got to a position where it is actually deliverable?

Mr Denham: The National Apprenticeship Service will be in the lead, working with the LSC, and then it will be the Skills Funding Agency working with the employer community to increase the number of apprenticeship places, and it will be the NAS and the LSC which will be responsible (particularly the LSC) for ensuring that there are sufficient places available to meet the apprenticeship guarantee. So in organisational terms within government, it is clearly the National Apprenticeship Service which has the lead there, and that is why we will be

looking for a very high-profile and very capable chief executive to lead that, because that is a big challenge. We will expect there to be a number of elements in getting the numbers that we need. We will clearly have far fewer apprenticeships available in the public sector than the public sector is as a proportion of employment in this country – so there is potential for extending apprenticeships there. There are some very successful models of it but it is not widespread. We are, obviously, in general, going to be continuing to look for new employers that want to offer apprenticeships for the first time. We are in discussion with a number of major employers that have big apprenticeship schemes to look at different ways in which they could “over-train” – that is, take on more apprentices than they need for their own needs – and that is particularly attractive in the sort of industries where you may have a major lead company and then a large number of much smaller supply companies. If a major company can over-train knowing that people will be employed in the supply-chain companies, that is another way of drumming up extra places. So there will be a whole range of activities to create new places. In central Government, my own Permanent Secretary, Ian Watmore, has taken the lead for pushing central Government apprenticeships, and we have a target of 500 across Whitehall to contribute. There will be a lot of this type of activity. You have asked about the numbers, quite fairly. I have to say to the Committee, my Lord Chairman, we are trying to do the detailed modelling at the moment of the number of apprenticeships that we will need to meet the various targets that have been given, both in terms of the initial guarantee in 2013 and the one-in-five target we have in 2018 at the moment. I hope to have those very shortly and we will certainly share them with the Committee. I am not confident about giving the Committee robust numbers just at the moment. We will let you have those as soon as we feel confident in them.

Q17 Lord Layard: I am sure you must be discussing this with the Treasury. Can one take the point of view that, given the definition of the guarantee, the funding principle has to be

that this is, essentially, demand-led – there must be enough money to meet the demand for something which is guaranteed? Is that an argument that is accepted in this area?

Mr Denham: Inasmuch as such arguments are ever accepted. I suppose the way I would put it is that it is going to be pretty difficult for my department to deliver the ambitions we have got if we do not have the money to do it. You would expect me to say that. Each Comprehensive Spending Review comes along and we have to argue the case and we have to have our projections and make the case, but clearly the implication here is that to achieve the sort of expansion that seems likely you will need investment to back it up, and we will be looking for that support from across government to do this.

Q18 Chairman: Your “World-class Apprenticeships” paper proposes “supportive work to help careers guidance staff in schools” inform students about apprenticeships. It also states that National Apprenticeship Service staff may be invited to schools’ career evenings. In our evidence we found it quite clear that schools often failed to provide information to pupils about apprenticeships and, back on the point I made earlier about incentives, there are no great incentives for schools to encourage apprenticeships. A school can see itself a good school if it gets lots of people to university but it does not brag much about getting people into apprenticeships. Yet, just as getting over the hurdle of SMEs is extremely important if you are going to succeed, so getting schools incentivised into having some of their children go off to apprenticeships (or a substantial number) is equally important. It is one of these blockages that you have to get past. So, do you not really need to be much more proactive in this area?

Mr Denham: You are right, my Lord Chairman. There are some broader issues which we want to address, which is the culture of celebration which should exist around apprenticeships. We have made some good starts in the recent past with the National Apprenticeships Week and far more places now have apprenticeship ceremonies but we are still nowhere near the level of recognition of an apprenticeship that we get, for example, with

GSCE and A Level result publication every summer. So there is a broader cultural issue. On information, advice and guidance, this is something that we are actively discussing with DCSF. It is important to us. I need to put this broadly. I think we have a number of issues across information, advice and guidance, and in a different part of this there is the issue about young people not being advised about STEM subjects. In another part of the advice and guidance to young people is the question: are young people advised properly about the right university for them to apply to? So we have to deal with information, advice and guidance about apprenticeships as part of a wider set of work to ensure that all young people get guidance which is appropriate to them. We certainly want to be sure that apprenticeships are included there and that the National Apprenticeship Service is able to make up for any shortfall of personal knowledge and experience of apprenticeships which may be there amongst school staff. One of the things, which is no criticism of people doing the job at the moment, is that it is going to be quite rare for somebody doing careers work in schools to have had personal experience of being an apprentice. That means as you want to get people in to talk about it you have got to have the National Apprenticeship Service to do it. The most recent Educational and Skills Bill puts a statutory responsibility on schools to give impartial careers advice, and there will be – once it gets through Royal Assent – guidance coming forward on how to do that. I think you will find, in the Draft Apprenticeships Bill, there is a specific reference to careers advice on apprenticeships there. So that strengthens that message further. We have not completed this work yet, but the discussions that you would want us to be having with DCSF are getting under way now, we are looking into all of these issues and we will want to move on all on them.

Q19 Lord Macdonald of Tradeston: Your proposals talk about “significant staffing of National Apprenticeship Service staff at regional and sub-regional level”. Could you comment on the extent to which the NAS staff will operate at local authority level to ensure

both that schools inform pupils about apprenticeships and, also, that sufficient apprenticeship places are available to meet demand in each local authority?

Mr Denham: We will need to make sure that the service is staffed and structured in a way that enables that sort of advice to be available at local level. As the Committee will know, under the proposals that are out to consultation at the moment, the responsibility for commissioning 14-19 services is being devolved to local authority level, although, given the nature of doing this and the amount of cross-boundary movement of students, and so on, you have, local authorities will be expected to do this collectively and, perhaps, with a lead local authority commissioning on the part of others. Clearly a key part of 14-19 planning is going to be planning the availability of apprenticeships and helping to secure those. So as the local authorities develop their commissioning role we will need to make sure the National Apprenticeship Service can provide the right guidance and support to them in doing that effectively, including the work to produce the right number of apprenticeships. It will not, I suspect, be as crude as one person in each local authority because the commissioning by local authorities will be more sophisticated than that and they will cover a wider area, but where those key decisions are being taken on 14-19 planning we will need to make sure the NAS can provide all the support that is needed.

Q20 Chairman: Just as a matter of information, will the NAS be approaching employers directly?

Mr Denham: The NAS in its work nationally, through the National Employer Service, will have that discussion and will be looking for people to do it. In terms of the cold-calling work (as I described it earlier) done by brokers, we are trying to avoid a situation where two separate organisations are ringing up the same employer in the same week with one of them saying: "Would you like to do Train to Gain to Level 2?" and the other one saying: "Would you like to do a Level 2 apprenticeship?" I would not encourage you to feel there is going to

be that sort of duplication of cold-calling. On the other hand, if you said to me as a Minister: “Who do I look to to lead on banging the drum for the number of apprenticeships?” we need to, in a general way, be engaging the employer community and to be working with the Sector Skills Councils and their employers and saying: “How are we going to get the number of apprenticeships we need in this sector in this area?” That is what I would see the National Apprenticeship Service doing, and doing in a very big way.

Q21 Lord Layard: I wonder if you could give us any idea of the number of field staff that you imagine it having nationally.

Mr Marston: We are still doing the design work on the National Apprenticeship Service, I am afraid. Within the LSC currently we are talking about a couple of hundred staff – somewhere about 230, 250 – working on the apprenticeship service at present. We are looking at how far that needs to expand and how they get distributed across the country.

Q22 Lord Best: Do you see a problem of people failing to qualify for apprenticeship places because they do not have the basic literacy and numeracy skills? If you do, are there going to be funds available for that part of the equation as well for bringing them up to standard?

Mr Denham: Certainly as of today that would be a problem. We are working with schools, obviously, to raise achievements in numeracy and literacy and basic skills all the time, although standards are rising. There are particular parts of the changing curriculum which will introduce functional skills into the curriculum over the next few years. We have developed the Foundation Learning Tier which is meant to address a whole range of basic skills issues, and for those young people who are set on going on an apprenticeship but would not yet have the qualification to go on to an employed apprenticeship there is a programmed approach to bolster those basic skills. Our view, at the moment, is that there should be sufficient resource in the system to make sure that those young people who would not at the

age of 16 have the necessary achievement to get there can be supported to do so. That is probably good news in that sense. There is a substantial amount of money in the system for addressing those young people who do not have that level of achievement at 16 or even 17 or 18.

Q23 Lord Macdonald of Tradeston: How many young people are expected to need help with literacy and numeracy?

Mr Denham: It is a little hard to judge accurately. One measure is that if you took the basic criteria for getting on a Level 2 apprenticeship as having a GCSE in maths or English, and that is a pass grade not an A-C grade, I think you have something like 10 per cent of young people who do not achieve that at the moment. I think that is the right figure. So that would be one measure. However, we also have to recognise that that may be the minimum entry level; not all employers, by any means, will be prepared to accept that as a sufficiently high level. So if we are looking at this in the real world rather than a theoretical world, there will be a number of young people who would need more help and more support to get to the level that could get them into an apprenticeship than that figure might imply. If I left you with the impression that 90 per cent of young people can walk straight into an apprenticeship and 10 per cent cannot, that might be slightly misleading if you look at the apprenticeships that will actually be on offer from employers who will often be looking for a higher level of attainment.

Q24 Lord Kingsdown: I think, in a number of sectors, the technical certificate element of the apprenticeship has been dropped.

Mr Denham: Yes.

Q25 Lord Kingsdown: What is the reason for this, if I may ask? May I make the comment that it seems to be rather a sort of dumbing-down of apprenticeship standards just at a time when there is so much demand for them.

Mr Denham: As I understand it, the history of this is that the technical certificate has been dropped in some cases where it was regarded that the certificate covered almost exactly the same area as the vocational qualification that the apprentice was also doing. One area was hairdressing and another was accountancy. So where it was felt that this was a duplication of effort, work and record-keeping, it was not held to be worthwhile. The certificates have not been dropped in those areas where you cannot say that somebody is doing the equivalent level of qualification in work. I do not think we are dumbing-down in that area.

Q26 Lord Turner of Ecchinswell: Could you comment upon the balance of how government funding for apprenticeships is spent as between different headings? Obviously, at one level, we would like as much as possible to be spent on the actual training that is occurring rather than the necessary processes of administration, etc, but they are necessary. There is also the issue of how much is spent on training versus how much is spent on actually assessing skills. Do you have a feel for what that balance is, and is that a balance that you are content with and believe is roughly right?

Mr Denham: I do not have a figure that I can give you on that, and I am sure it varies from sector to sector and to individual circumstances. I think it is a good question to ask, and it is one that I have asked myself often in relation to the information that comes from inspections throughout the training system – particularly, perhaps, in other parts of the training system where one worries that it is too easy just to spend your time assessing people who have more or less got the qualification already rather than training the people who need to be raised. In terms of apprenticeships, I am less concerned in the sense that I think this is an area where there is quite rigorous inspection. There is quite rigorous attention to outcomes where we

know that completion rates have increased, where we know that a lot of people who were not really very good no longer provide apprenticeships, and the focus on the outcome quality suggests that whatever the detailed balance might be in each case we are getting what we want out of the system. I do not think that anybody is actually challenging the quality of outcomes that we are now achieving in the way they certainly were a few years ago. I do not dismiss the question out of hand; I think it is something that we need to try and get a feel for, at least to inform ourselves about it. I mainly rest on the monitoring we do of the quality outcomes and the inspections that take place.

Q27 Lord Paul: In the course of our inquiry we visited a Group Training Association – a not-for-profit organisation where small and medium-sized businesses collaborate to provide apprenticeship places. We found that the Association did not differ substantially from other training providers. So why is the Government so keen on using Group Training Associations to boost apprenticeships? What, if any, new ideas or new information does the Government have about these Associations to suggest that they could, in time, represent a significant advance on current provision?

Mr Denham: I suppose it is about ownership, really. At one level, I suppose, a good commercial training provider will provide in a technical sense very much the same support and training co-ordination as a Group Training Association. However, part of the feedback we have had is that where in an area the smaller employers in a particular industry (who know each other and who work together and they are both competitors and collaborators) work together to provide a Group Training Association there is a sense that: “We own this; it is going to be responsible to our particular business, our particular culture, our way of doing things”, and if that means that the employer has a greater trust in the Group Training Association to provide what they need and they are, therefore, more likely to offer an apprenticeship, that is I think really what we are after – that identification between the

employer and the Training Association. We would be quite alarmed, I think, if we thought there would be a massive difference in actual quality between one and the other, but we are all the time looking for ways of saying to, particularly, smaller employers: “What makes this a service you are likely to take up?” If there is a sense of: “This is ours in this particular area; this is our Group Training Association for this city”, then I think there are some people who will work with that who would not work with a commercial provider.

Q28 Chairman: Are there any other questions that Members would like to ask? Are there any other points, Secretary of State, that you wanted to put to us that you have not been asked?

Mr Denham: I think, my Lord Chairman, just to say that we would very much welcome the continued interest of your Committee. The targets we have set for ourselves are ambitious, but we absolutely believe that we must get to a position where this choice is seen as available and as an equally valid choice for young people, if this is where their interests and their capabilities want to take them. We have got some way to get there, but we are determined to get there and the continuing interest and support you have given us would be enormously welcome.

Chairman: Thank you.

Q29 Lord Kingsdown: One question, my Lord Chairman, rather out of the blue. The merits of apprenticeships seem to be two-fold: one to assist the economy by producing skilful operators and, secondly, to assist young people in making the best of their lives – one might call that the social service. Is the balance of the Government’s support for apprenticeships related to the economy or to the social service, or to both, and, if so, is there any difference in the proportion? I imagine, like all departments, you are struggling for money. When the

Government looks at this, do they look favourably on the social side of it or on the employment side?

Mr Denham: The great thing about my department is that so many of the things we do hit both of those targets at the same time. So if you talk about training in general, we can say that if you get somebody in numeracy and literacy at Level 2 that is what the economy needs. For that individual, if it means you have got them out of a dead-end job into a good job, not only do they feel better but their children will probably have higher aspirations and be more likely to succeed at school. The great thing about so much of my department is I do not have to choose: the same aim – getting somebody into training and developing their skills – does deliver the economic need and does deliver the social imperative at the same time, without any contradiction between the two objectives. It is one of the most satisfying parts of my work, really, that we can push these things forward and it does not really matter - the same apprenticeship delivers for the young person and it delivers for the economy. We do not have to choose between an apprenticeship which is designed for social reasons or one that is designed for the economy. If we get a good apprenticeship it delivers both of those things, and that is why they are so central to our thinking.

Q30 Chairman: Thank you, again, Secretary of State, for your time, and thank you for answering our questions. You can be sure of our continuing interest.

Mr Denham: Thank you very much.