



BRIEFING PAPER

Number 03052, 17 November 2016

Apprenticeships Policy in England

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1. The current apprenticeship system
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Summary

Skills and training are devolved policy areas. This Briefing Paper covers apprenticeships in England. Sources of information on apprenticeships in Scotland, Wales and Northern Ireland are included in Section 3, Useful Sources.

What are apprenticeships?

Apprenticeships are full-time paid jobs which incorporate on and off the job training. A successful apprentice will receive a nationally recognised qualification on the completion of their contract. Apprentices have the same rights as other employees and are entitled to be paid at least the apprentice rate of the national minimum wage.

There are two different types of apprenticeship schemes, frameworks and standards. Apprenticeship frameworks are being progressively phased out and replaced by the newer apprenticeship standards. Both operate under different models of government funding.

Policy Development

Targets

In the [2015 Queen's Speech](#) the Government set out its intention to create a duty to report on progress to meeting the target of 3 million new apprenticeships by 2020. The [Welfare Reform and Work Act 2016](#) placed an obligation on the Government to report annually on its progress towards meeting this target. The [Enterprise Act 2016](#) provided the Secretary of State with the power to set targets for apprenticeships in public bodies in England to contribute towards meeting the national targets.

Protection of the term apprenticeships

Apprenticeships have been given the same legal treatment as degrees and the term "apprenticeship" was protected in the [Enterprise Act 2016](#), allowing the Government to take action if it is misused by training providers.

The Apprenticeship Levy and Funding

Major changes to apprenticeship funding are due to come into place in 2017. Large employers across the UK will start paying the apprenticeship levy in April 2017 and a new funding system will be introduced in England in May 2017.

The Institute for Apprenticeships

The Institute for Apprenticeships was established in May 2016 by the [Enterprise Act 2016](#). The body is due to go live as an independent employer-led body in April 2017, regulating the quality of apprenticeships. The Government intends to increase the Institute's remit to cover technical education and rename it accordingly the "Institute for Apprenticeships and Technical Education" through the [Technical and Further Education Bill](#).

Register of apprenticeship training providers

The Government plans to create a new register of apprenticeship training providers which will come into use in May 2017.

Change in Departmental responsibility

In July 2016 apprenticeships and skills along with higher and further education policy was transferred to the Department for Education, after The Department for Business, Innovation and Skills was replaced by the Department for Business, Energy and Industrial Strategy.

1. The current apprenticeship system

Skills and training are devolved policy areas. This Briefing Paper covers apprenticeships in England. Sources of information on apprenticeships in Scotland, Wales and Northern Ireland are included in Section 3.

1.1 What are apprenticeships?

Apprenticeships are full-time paid jobs which incorporate on and off the job training. A successful apprentice will receive a nationally recognised qualification on the completion of their contract.

Apprenticeship Qualification Levels

Apprenticeships can be studied at different qualification levels¹;

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes at grades A* to C
Advanced	3	2 A level passes
Higher	4,5,6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree

Traineeships also provide education, training and work experience to young people to help them get an apprenticeship or other job. Further detail is available in the [Commons Briefing Paper, Traineeships](#).

Frameworks and Standards

There are two different types of apprenticeship schemes, frameworks and standards. Apprenticeship frameworks are being progressively phased out and replaced by the newer apprenticeship standards. Frameworks and Standards operate under different funding models covered in Section 1.2.

1.2 Minimum wage and employee rights

Apprentices aged 16-18 are entitled to the apprentice minimum wage of £3.40 an hour² Apprentices are paid for both their normal working hours and the time they spend training as part of their apprenticeship.³

Apprentices aged 19 and over are also entitled to the £3.40 apprentice minimum wage in the first year of their apprenticeship. After this, they are entitled to the relevant National Minimum Wage rate for the age group; £5.55 an hour for 18 to 20 year olds, £6.95 an hour for 21 to 24 year olds and £7.20 for people aged 25 and over.⁴

Apprentices are entitled to the same employment rights as other employees, including holiday entitlement and maternity leave.

¹ Gov.uk, [Become an apprentice](#), 25 Oct 2016

² Gov.uk, [National Minimum Wage rates](#)

³ Gov.uk, [Become an apprentice](#), 13 Mar 2015

⁴ Gov.uk, [National Minimum Wage rates](#)

1.3 How are apprenticeships funded?

Major changes to apprenticeship funding are due to come into place in 2017. Large employers across the UK will start paying the apprenticeship levy in April 2017 and a new funding system will be introduced in England in May 2017. These changes are discussed further in Section 2.3. The current funding system is outlined below:

Frameworks

For apprenticeship frameworks, the amount of training costs covered by government depends on the age of the apprentice:

- 100% of training costs for apprentices aged 16-18;
- 50% of training costs for apprentices aged 19-23;
- Up to 50% of training costs for apprentices aged 24 and over.⁵

In certain circumstances, government will provide extra funding in the shape of a 'disadvantage uplift' to support learners living in the most deprived areas of the country or an 'area cost uplift' for those in areas where training costs are higher.⁶

Employers who choose to deliver additional training as part of an apprenticeship on top of the minimum requirements funded by the government must pay for it themselves. Employers can also fund apprenticeships themselves without any support from government.

Standards

Funding for apprenticeship standards does not depend on age but on funding bands: all standards are assigned to one of five or six funding bands. The employer and training provider agree on a price for an apprentice's training and assessment within the limits of the funding band. The government covers two-thirds of the total agreed price up to the set maximum for that funding band. The employer pays the remaining third.⁷

The total government contribution may increase further through incentive payments; for employers recruiting a 16-18 year olds, for small businesses, for English and Maths qualifications and for successful completion of the apprenticeship.

The funding system for apprenticeship standards does not include a disadvantage uplift or an area cost uplift, to take account of relative deprivation or differences in the cost of provision.

⁵ Skills Funding Agency, [Funding Rates and Formula 2016 to 2017, version 2](#), March 2016, pp9,12

⁶ Ibid, pp7-9

⁷ Skills Funding Agency, [Apprenticeship standards funding rules 2016 to 2017, version 2](#), March 2016, p6

1.4 Minimum Standards

The Statement on Apprenticeship Quality, published in May 2012, summarised aspects of apprenticeships subject to minimum standards:⁸

A minimum length of 12 months

The minimum apprenticeship length is 12 months. Some apprentices aged over 19 may complete an apprenticeship in six months, if they demonstrate prior attainment of certain relevant qualifications.⁹

280 hours guided learning

Guided learning is the time spent developing technical skills, knowledge of theoretical concepts and practical skills on the job whilst being guided. Apprentices must spend at least 280 hours in 'guided learning' in their first year. 100 hours or 30% (whichever is greater) of all guided learning must be delivered off-the-job. Clear and verifiable evidence must be provided of all learning undertaken.¹⁰

Employed for 30 hours a week

Apprentices must be employed for a minimum of 30 hours per week, including time training away from the workplace. If an apprentice's personal circumstances or if the nature of employment in a given sector make it impossible to work these hours, then an absolute minimum of 16 hours a week must be worked. In these exceptional cases, the total duration of the apprenticeship is extended accordingly.¹¹

Training to level 2 in Maths and English

Apprenticeships must offer training to Level 2 in English and Maths or Functional Skills, if the apprentice does not already have these or equivalent qualifications.¹²

Apprenticeship Agreements

Apprentices must sign an Apprenticeship Agreement with their employer before the apprenticeship begins. This is a contract stipulating the framework being followed and the skill, trade or occupation the apprentices is working in. It is not a legally binding contract, but without it an apprenticeship completion certificate cannot be issued.

Specification of Apprenticeship Standards for England (SASE)

SASE sets out minimum academic requirements for frameworks, written primarily for organisations designing frameworks.¹³ It stipulates minimum qualification levels required of apprentices under the vocational, technical and key skills elements of the apprenticeship, as well as other areas such as team work and creative thinking.

Further detailed information on the minimum contractual and operational standards required of apprenticeships can be found in the [SFA Funding rules for 2015 to 2016](#).

⁸ NAS, [Statement on Apprenticeship Quality](#), 31 May 2012

⁹ BIS, [Tough standards released by Skills Minister to drive up quality](#), 1 Apr 2012

¹⁰ Gov.uk, [Specification of Apprenticeship Standards for England](#), Feb 2015, pp 9

¹¹ Skills Funding Agency, [Funding rules for 2015 to 2016](#), Mar 2015, pp 68

¹² Skills Funding Agency, [Funding rules for 2015 to 2016](#), Mar 2015, pp 58

¹³ Gov.uk, [Specification of Apprenticeship Standards for England](#), Feb 2015

1.5 What support is available for employers?

Support is also available for employers looking to employ an apprentice, is outlined below:

Abolition of employer National Insurance contributions for apprentices under 25

Since April 2016 employers do not pay secondary Class 1 (employer) national insurance contributions for apprentices under 25 earning up to the Upper Earning Limit.¹⁴

Recruiting an apprentice

The Government runs a service for recruiting apprentices in England, [Recruit an apprentice](#), through Gov.uk. An employer guide to apprenticeship recruitment is also available through [Gov.uk](#).¹⁵

Apprenticeship Training Agencies

Apprenticeship Training Agencies (ATAs) are organisations directly employing apprentices. The business hosting the apprentice operates as the apprentice's day-to-day workplace and manager. ATAs coordinate the apprentice's training and pay associated training costs. The host employer pays a fee based on wage and training costs.¹⁶

Apprenticeship Grant for Employers

The apprenticeship grant for employers of 16 to 24 year olds (AGE 16-24) has been included in the funding rules since April 2016. For some areas the grant is managed locally and the criteria may differ from that nationally.¹⁷ These areas are:

- Greater Manchester
- Sheffield City Region
- West Yorkshire
- The West of England
- Liverpool City Region
- Tees Valley
- Norfolk and Suffolk
- Cambridgeshire and Peterborough

City Deals

Many of the Government City Deals include provisions to support employers hiring apprentices, including in some cases devolving the apprenticeship grant for employers (see above). The first wave of deals set out to create 37,000 new apprenticeships over 20 years. Further information is available from the [Commons Briefing Paper, City Deals](#).

¹⁴ [HM Revenue and Customs](#), Employer National Insurance contributions for apprentices under 25, 2 Feb 2016

¹⁵ Gov.uk, [Apprenticeships](#), Nov 2016

¹⁶ Gov.uk, [Apprenticeship training agencies](#), 4 Jun 2015

¹⁷ Gov.uk, [Apprenticeship grant for employers of 16 to 24 year olds](#), 29 Jul 2016

2. Apprenticeship Policy Developments since 2015

2.1 Commitment to 3 million apprenticeship starts

The Government set a target of 3 million new apprenticeships by 2020 in the [2015 Queen's Speech](#). The [Welfare Reform and Work Act 2016](#) placed an obligation on the Government to report annually on its progress towards meeting this target.

Targets for public bodies

The [Enterprise Act 2016](#) provided the Secretary of State with the power to set targets for apprenticeships in public bodies in England to contribute towards meeting the national targets. The Government published a consultation document in January 2016 on the proposals, though is yet to issue a response.¹⁸

The Government consultation would require only those public bodies that have [250 or more employees](#) in England at the start of a reporting year will be required to meet apprenticeship targets. The Government estimates that all but the smallest 30 English local authorities will thus be set apprenticeship targets based on their headcount in 2016.

The ONS definition of what constitutes a public organisation/institution will be used but housing associations will be redefined as private bodies.

Public bodies operating across the UK or in Scotland, Wales and Northern Ireland will be set targets if their England-based workforce meets the 250-headcount criterion.

2.2 Protecting the term Apprenticeship

The [Enterprise Act 2016](#) gave Apprenticeships the same legal treatment as degrees and the term "apprenticeship" will be protected by law, to prevent it being misused. The Enterprise Bill, allows the Government to take action if it is misused by training providers.

2.3 Apprenticeship Levy

The apprenticeship levy was originally announced in the [2015 Summer Budget](#) and will be introduced on 6 April 2017.¹⁹

Paying the Levy

UK employers with a paybill of over £3 million per year will have to pay 0.5% of their paybill over this amount to HMRC through the PAYE process. For connected groups of employers the levy will be paid on paybills over £3 million for the entire group. The levy will also be paid by organisations already involved in similar levy arrangements.

¹⁸ BIS, [Consultation on apprenticeship targets for public sector bodies](#), Jan 2016

¹⁹ Department for Education, [Apprenticeship funding: how it will work](#), 25 Oct 2016

Accessing money from the levy

Apprenticeship levy payments made by employers in England will be paid into their “digital account”, which they can spend on apprenticeship training. This is covered further in Section 2.4.

Though not available for the first year of the levy, the Government has committed to allowing levy-paying employers to transfer up to 10% of their annual levy payments to another employer or apprenticeship training agency. Unspent digital account funds will expire after 24 months.

Employers operating in the UK outside of England

The amount of the levy paid into digital accounts for employers in England operating in other parts of the UK will be calculated based on employees’ home addresses. Section 3 includes sources of information on the levy for other parts of the UK.

2.4 Funding reform

A new funding system for apprenticeships will be introduced in England in May 2017. The Government published its [final funding policy](#) on 25 October after proposals were published on 12 August 2016. The current funding system is covered in Section 1.3.

The new funding system

Under the new policy, frameworks and standards would be funded in the same way, similar to how standards are funded currently. Employers will need to negotiate the price of training with training providers.

Each apprenticeship framework or standard will be associated with one of fifteen funding bands with upper limits between £1,500 and £27,000. The government will only pay a share of costs below the upper limit of the funding band. In the case of employers paying the apprenticeship levy, levy contributions can only be used to pay for the apprentice’s training costs below this upper limit; further costs must be paid for separately.

What will employers pay?

Employers paying the apprenticeship levy will pay almost all of the cost of training their apprentices, except for a government ‘top up’ and the incentive payments described below. Employers who do not pay the levy would pay 10% of the cost of apprenticeship training, but may receive the incentive payments described below.

Employers paying the apprenticeship levy

Apprenticeship levy payments²⁰ made by employers in England will be paid into their “digital account”, which they can spend on apprenticeship training. The government would add a 10% top up to the amount paid into the digital account each month. Digital account funds will expire if employers did not use them within 24 months.

²⁰ See Section 2.2

Employers can use funds in the digital account to pay for the cost of training up to the upper limit of the relevant funding band. Any cost above the upper limit of the funding band must be paid separately by the employer.

From 2018, firms will be able to transfer 10% of funds in their digital account to another employer with a digital account. This is particularly relevant for firms who take on apprentices indirectly through Apprenticeship Training Agencies,²¹ where the apprentice is employed through the agency rather than the firm.

Employers who do not pay the apprenticeship levy

The government would pay 90% of the training costs for these apprentices and the employer would pay the remaining 10%, where the total cost is below the upper limit of the relevant funding band.

This also applies to employers who do pay the levy but have insufficient funds in their digital account to pay the apprentice's training costs.

Funding for apprentices aged 16-18

Incentive payment

An incentive payment of £1,000 will be paid by the Government for apprentices aged 16-18 to the employer. This incentive payment will also be available for apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan.

Transitional funding band

After consultation, the Government also announced it would pay providers a further 20% of the funding band maximum for training apprentices aged 16-18 on frameworks as a transitional measure to help providers adjust to the new system. This will also apply to apprentices aged 19-24 who have previously been in care or who have a Local Authority, Education, Health and Care plan. The final funding policy explains:

This 20% uplift for providers is a transitional measure designed to support stability whilst providers adjust to the reforms. We will keep this under review and envisage adjusting this uplift as more apprenticeship starts are on new apprenticeship standards.²²

These traditional funding arrangements were not included in the original August 2016 proposals. However, under the current system for apprenticeship frameworks, funding varies by age. The government pays 100% of costs for apprentices aged 16-18; 50% of costs for those aged 19-23; and in most cases 40% for those aged 24 and over. Under the new system, the funding band is set with reference to current payments for apprentices aged 19 and over. Consequently, the original plans would have represented a large reduction in funding made available for most 16-18 year old apprentices.

²¹ See Section 1.5

²² Department for Education, [Apprenticeship funding: Proposals for apprenticeship funding in England from May 2017](#), 25 Oct 2016, p6

Small employers

For small employers with fewer than 50 employees the Government will pay 100% of the costs for apprentices aged 16-18 to the employer or those aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan.

Funding bands and STEM

The Government is increasing the level of funding it made available for STEM (science, technology, engineering and mathematics) frameworks. The funding band limit is 40% higher for level 2 frameworks than the rate currently used and is 80% higher for level 3 frameworks.

Funding bands and deprivation

The new funding policy includes a simplified version of the disadvantage uplift currently used by apprenticeship frameworks. However, this arrangement will only operate for the first year of the new system, while the Government conducts “a fuller review into the best way to support individuals from all backgrounds into apprenticeships”.²³

2.5 The Institute for Apprenticeships

The Institute for Apprenticeships was established in May 2016 by the Enterprise Act 2016. The body is due to go live as an independent employer-led body in April 2017.

The Institutes role will be to advise the Secretary of State for Business, Innovation and Skills on the administration of funding raised with the levy to various apprenticeship standards. It will also have a role in designing new apprenticeship standards and maintaining the quality of existing standards.

[The Post-16 Skills Plan](#) proposes increasing the remit of the Institute to cover all technical education from April 2018 onwards. The Institute would accordingly be renamed as the “Institute for Apprenticeships and Technical Education”. Regarding the expanded remit of the Institute the Government has said “we will ensure that the Institute has the resources it needs to do its job effectively at the heart of the system.”²⁴

2.6 Change of Departmental responsibility

The Department for Business, Innovation and Skills was replaced by the Department for Business, Energy and Industrial Strategy in July 2016. With this change responsibility for apprenticeships and skills along with higher and further education policy was transferred to the Department for Education.²⁵

2.7 Register of apprentice training providers

The Government published [details](#) of a new register of apprenticeship training providers on 25 October 2016, which will come into use in May

²³ Ibid, p7

²⁴ Department for Education, [The Technical and Further Education Bill: factsheet](#), Oct 2016.

²⁵ [HCWS94](#), Machinery of Government Changes, 18 Jul 2016

2015. The Government explains, “The register will give employers an assurance that the providers they are using have the capacity and capability to delivery good quality apprenticeship training.”²⁶

2.8 Higher Minimum Wage for apprentices

The Government rejected the Low Pay Commission’s recommendation of increasing the apprentice minimum wage from £2.73 to £2.80 in April 2015, instead opting to increase it to £3.30.²⁷ More information on Minimum Wage rates for apprentices is available in Section 1.2.

²⁶ Skills Funding Agency, [Register of apprenticeship training providers: policy information](#), 25 Oct 2016

²⁷ Gov.uk, [National Minimum Wage and National Living Wage rates](#), 1 Oct 2016

3. Useful sources

3.1 England

Commons Briefing Paper, [Apprenticeship Statistics for England](#)

Commons Briefing Paper, [Apprenticeships Policy in England: 2010-2015](#)

Commons Briefing Paper, [Apprenticeships Policy, England prior to 2010](#)

Gov.uk, [Find an Apprenticeship](#)

Gov.uk, [Apprenticeships](#)

Gov.uk, [Apprenticeship funding: how it will work](#)

Skills Funding Agency, [FE Data Library: apprenticeships](#)

3.2 Scotland

Skills Development Scotland, [Statistics: Modern Apprenticeships](#)

Skills Development Scotland, [My World of Work: Modern Apprenticeships](#)

Skills Development Scotland, [Apprenticeship Levy](#)

3.3 Wales

Welsh Government, [Statistics and Research](#)

Welsh Government, [Apprenticeships](#)

Welsh Government, [Apprenticeship Levy](#)

3.4 Northern Ireland

Department for Employment and Learning, [ApprenticeshipsNI statistics](#)

nidirect, [Apprenticeships](#)

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