

# 21st Century Apprenticeships

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Comparative review of apprenticeships in Australia, Canada, Ireland and the United States, with reference to the ***Richard Review of Apprenticeships*** and implementation in England

## Executive Summary

# Introduction

**The Federation for Industry Sector Skills & Standards is making this positive contribution to the debate about apprenticeships.**

We commissioned an independent review of international experience as part of this. Our aim is to continue the informed debate begun by Doug Richard, as we move into implementation. We will be holding a conference in March 2014 at which we want to bring together all those involved in building this new approach to learn lessons.

As part of that debate, the Federation wants to identify what 'good' looks like and, as in this paper, understand the lessons we can learn from both our own and others' experiences.

Our focus on English-speaking countries is to frame our analysis in terms of what can we learn from training cultures and workforce apprenticeship systems that share a similar heritage and contemporary economic climate to England. And, crucially, how do these systems measure up to the Richard Review ideals?

We selected five countries:

- Australia
- Canada
- England
- Republic of Ireland
- United States of America

We discovered a diverse range of assumptions about what constitutes an apprenticeship, and different structures of how best to deliver apprenticeships, particularly in terms of governance and accountability. We found varying roles for government, industry, and other stakeholders in designing apprenticeships; different approaches to competency and standards development; and both traditional and experimental funding models to help engage or better incentivise employers and apprentices to become certified.

# Summary of report findings

## Issues and challenges for apprenticeship reform in England

Based on the comparative research and available evidence, the report concludes:

### **1. Demand for apprentices in England may fall in the short to medium term**

What the precise reductions will be is hard to say, but using a forecasting model that takes into account recent regulatory changes and assumes implementation of the Richard Review proposals in full, we estimate a moderate fall in apprenticeship starts of up to 110,000 between now and 2017, as the impact of recent regulatory changes works through the system, and potentially a steep fall of around 190,000 in 2017, (assuming the Richard model of apprenticeships is implemented in full). Depending on the outcomes of the Trailblazers' exercise, we would expect volumes to recover to about the level they were in 2010, by the year 2020. The analysis points to the adoption of a counter-cyclical approach being needed to avoid apprenticeship starts plummeting.

### **2. Both regulation and market forces have a part to play**

We did not find any publicly funded apprenticeship system in our study that was not regulated to some degree or other. The key issue would appear to be getting the balance of regulation right and better aligned with improving both employer take-up and quality of apprentices – intelligent regulation.

Richard argued that government should strip back unnecessary regulation and bureaucracy in the system, injecting more market discipline in the process. Our research found that, where industry training is aligned with market demand, apprenticeship outcomes are usually better. However, we also found some limitations of the purely market-driven approach, notably in Ireland, where apprenticeships were decimated following the 2008 financial crisis. More intelligent regulation may have a part to play in improving the quality and take up of English apprenticeships.

### **3. A quality 'Kitemark' – or Richard Compliant approval scheme – may be required in order to secure greater trust in the apprenticeship brand**

In purely market-based systems, consumers look for impartial signs of value and credibility. We suggest that it might be desirable to implement a quality assurance mark – or Richard Compliant scheme – that clearly identifies those apprenticeships that are on a par with the perceived *Gold Standard* of A-Levels, being both rigorous and responsive to industry needs. The Richard Compliant system could potentially act as a self-regulatory tool in addressing Richard's main point that currently, as in England, parents and young people too often undervalue apprenticeships.

#### **4. An employer-driven support system that will require sustained investment**

Other countries examined in this study have engaged in incremental change, yet they would appear to have delivered better performance in some aspects of apprenticeship delivery than is the case in England. The evidence suggests that employers value stability and sustained investment in apprenticeships where their actions to drive the system are supported.

#### **5. Simpler occupational standards that remain world class**

All the G5 countries have developed occupational competency standards. Methodologies are similar, even if their complexity varies. Other countries respect England's (UK-wide) approach to standards development; however, all G5 countries recognise the issue of keeping the standards simple and up to date with changing employment and technological trends, including the growing need for international standards that may be required by some sectors. Sectors that make use of skilled migration and global supply chains are particularly likely to want skills standards that are transnational. All G5 countries are striving to produce simpler standards.

#### **6. A combination of end-testing and competency assessment is likely to work best**

A key pillar of the Richard reforms is the shift from the current occupational competency standards and apprenticeship frameworks to a new end-testing regime. There are many merits in a final exam, not least giving the apprentice a very clear benchmark of their accomplishment. We found that Canada has one of the most advanced apprentice end-testing regimes in the world. It is also amongst the most generously funded. The model has been in existence since 1958 and is mostly valued by employers. Some anecdotal feedback from industry representatives, however, has suggested loopholes in Canada's current testing methodology, including some foreign migrant workers passing the test while still being judged incompetent by employers and the wider industry.

Pilots are currently underway in three Canadian sectors to rewrite the occupational competency standards, simplify them, and look at the introduction of 'essential skills' in literacy and numeracy as part of pre-screening for apprenticeship trades, and, in future, to corroborate the end-test exam results with some additional practical assessments in relevant occupations. Canada's development supports the approach that is being taken by the eight Trailblazers, announced as part of the government's Implementation Plan for apprenticeships in England, where employers are encouraged to experiment with different approaches, while ensuring rigour and efficacy.

#### **7. Giving individual purchasing power to employers is important, as is enabling collective means of investment to flourish**

Redirecting the purchasing power for apprentice training from providers to employers is a bold step, providing employers with more control. The most radical of the proposals on which the government has consulted relates to financing the off-the-job training element via a partial subsidy or cash-based tax credit. The tax credit potentially would be offset against employers' payroll tax liability, a preferred option of the UK Commission for Employment and Skills.

The international evidence about tax credits and other incentives, of which some were reviewed in this report, is mixed. The *prima facie* evidence would suggest that Canada has been able to boost apprentice completion rates using tax credits as a targeted incentive mechanism. Similarly, South Carolina has recorded a five-fold increase in apprenticeship since a \$1000 tax credit per annum, per apprentice, was introduced. However, we should not read too much into these findings, as there are other reasons for this growth and, as no independent or empirical evaluations have yet been commissioned that examines specifically the impact of these tax credit-based systems, we cannot draw firm conclusions.

Our research found that well-functioning skills systems also require a collective system of employers purchasing training. Industry levies are one traditional example, as are group-purchasing consortia (funded by Employers from their tax credit) or from commission payments on money saved, a model put forward by the Federation to the government's funding consultation on apprenticeships.

#### **8. Providing the right balance of incentives and rewards**

Apprenticeship reform is ultimately about changes in human and societal behaviours. England has a unique opportunity to look afresh at the balance of incentives and rewards in the apprentice system.

Rewarding employers through the tax system for taking on apprentices and using the government's procurement power to link public contracts to wider opportunities for young people are just some of the possibilities that the implementation of the Richard Review reforms opens up for English apprenticeships.

#### **Conclusion**

No one country has developed the perfect system of apprenticeships, be they the famed Germanic models, with their emphasis on dual systems of training and employer engagement, or the ones in English-speaking countries (similar to the ones examined in this report) which operate alongside culturally pervasive attitudes that place a lot more value on academic routes to success. It is fair to say that every apprenticeship model has both strengths and weaknesses.

The comparative information contained in this report and case studies of what other countries are doing will be useful to policymakers in a number of countries, including the Trailblazers in England: i.e., the companies and industry groups appointed to trial and test out implementation of the Richard Review reforms.

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Download the full report at:

[www.fisss.org/21st-century-apprenticeships](http://www.fisss.org/21st-century-apprenticeships)