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Maia Chankseliani
University of Oxford

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From the provider-led to an employer-led system: implications of apprenticeship reform on the private training market

Maia Chankseliani* and Susan James Relly

Department of Education, University of Oxford, Oxford, UK

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Despite expending a great deal of public money, and after many government-led 'reforms' to develop an apprenticeship system that rivals those found in other countries, the apprenticeship system in England still faces a number of challenges and failings, not least in the private training market. This paper explores the landscape of private training provision in the context of the most recent apprenticeship reforms and its implications for independent training provision. Reviewing the proposed shift from the provider-led to an employer-led system we suggest that the government is overestimating the readiness of industry to lead apprenticeships in England and will still rely heavily on private training provision. We propose that a high-quality system of apprenticeships requires refocusing from a single-actor-led to a multiple-actor-led system based on good relationships between 'strong' actors with shared cost and responsibilities.

Keywords: apprenticeship; policy; funding; private training market; quality

Introduction

Apprenticeship is global. As a model of learning, the basic definition of the term apprenticeship is known across the world. It is also becoming known as a policy instrument of governments across the world (Fuller and Unwin 2011, 29) and is viewed as a cure for a number of policy ills: youth unemployment, the economic downturn and social exclusion to name but a few. Political parties, particularly in the UK but elsewhere also, find apprenticeship attractive primarily due to its easy identification both by fellow politicians and more importantly by voters. Apprenticeship 'carries connotations of quality training, leading to meaningful and reasonably well-rewarded work in what were traditionally seen as the "skilled trades" – engineering, carpentry, building, plumbing and so on' (Keep and James 2011, 55).

With historically high levels of youth unemployment, the aftermath of the banking crisis, much evident discontent by the population at large (for example, the London riots in the Summer of 2011 and the protests at St. Paul's), the introduction of higher education tuition fees and the raising of the compulsory participation age for learning in England from 17 to 18, the range of issues upon which the Coalition Government can deploy apprenticeship, as part of the wider Vocational Education and Training (VET) system, is broad. It can and has been represented as a way of helping rebalance the economy and of demonstrating the government's commitment

*Corresponding author. Email: maia.chankseliani@education.ox.ac.uk

to developing a highly skilled workforce in the round rather than just focusing on 'academic prowess' (Hayes 2011, 40) to the detriment of vocational education.

Apprenticeship has been used by the Conservatives, Labour and now the Coalition government in a variety of ways as a policy panacea and as a central component of their skills policy. These governments, over the last three decades, have conducted several reviews, and put in place a variety of reforms and measures to create a demand-led system that would (allegedly) improve the quality and efficiency of further education (FE) and skills training, and specifically apprenticeship. The latest reform attempts to place employers at the forefront of apprenticeship training by developing an employer-led system. The lessons and warnings from previous reforms attempting to move from a supply-led system to a demand-led system have not been heeded and we argue that this government overestimates the readiness of industry to lead apprenticeships. Low employer demand remains one of the significant problems facing the apprenticeship system in this country. Moreover, the expectations about the influence of the apprenticeship funding reform programme in improving training quality may be overly optimistic.

This paper focuses on private providers and the role they play within apprenticeship delivery. In this paper we differentiate between public and private organisations on the basis of their ownership status. FE colleges are considered to be public providers. All the other providers that are not the training organisations or departments set up by employers to train their own staff internally are considered to be independent training providers (ITPs). However, there are also some hybrid training providers that could be considered at the margin of the public/private classification. We start with an overview of the landscape of the private training market and an examination of the provider-led apprenticeship system to underline the impact ITPs have on the current system, especially given that they lead on delivering the bulk of publicly funded apprenticeship training in this country. The turning point for the creation of the private training market was in the 1980s when the Youth Training Scheme (YTS) was introduced by the Conservative government. We briefly refer to the YTS and discuss some concerns related to the public funding of private training provision. In section two, we review the plan for reforming English apprenticeships and the feasibility of creating an employer-led system. We use the evidence from some recent empirical studies to underline the potential implications of the reform for the publicly funded segment of private training provision. Finally, we argue that a high-quality system of apprenticeship can be established only on the basis of good and effective collaborations between learners, trainers/providers, employers and the state. These relationships are far more complex than the simple market based models that policymakers often base them upon. Thus, what is needed is an entire refocusing from a single-actor-led to a multiple-actor-led system based on good relationships between 'strong' actors, with shared costs and responsibilities.

The role of ITPs in the provider-led system of apprenticeship training

The FE and skills training sector is large and diverse and is funded from three major sources: government offices,[1] employers and individuals. Specifically, there are 1525 FE and skills training providers in England that receive public funding and of these 946 institutions (62%) are private (UK Government 2013a), providing approximately 63% of the off-the-job apprenticeship training (UK Government 2013b). Although the coalition government is pushing for the increase of private funding for training from employers and individuals (AELP 2014, 8), the public purse remains an important source of financing privately provided training in England. Participation in publicly funded and privately provided FE and skills training has risen in the last few years, from 13.3% of all training in 2005–2006 to 23.2% in 2011–2012 (UK Government 2013c). The trend is different when looking only at apprenticeships in the same period of 2005–2012; the proportion of the publicly funded and privately delivered apprenticeship training has been stable but very high, in the area of 63–67% of apprenticeship training (UK Government 2013b).

Moreover, the amount of public funding for private institutions may increase with a number of new schemes channelling more public resources into the budgets of ITPs. Learners can apply for Advanced Learning Loans to meet the costs of a college or a training course. The loan covers Level 3 or Level 4 (e.g. A Levels) courses that started on or after 1 August 2013 (UK Government 2013d). The courses must be delivered by an approved college or training organisation in England (SLC 2014a). These loans are not means-tested and the application does not involve a credit check (SLC 2014b). The Flexible Fund for Unemployed Individuals is being introduced in summer 2014. The tender call specifies that this fund will help to develop skills training provision that will meet the needs of unemployed individuals, by considering the current and emerging demand of employers (SFA 2014a). Finally, a call for engagement is out for the establishment of National Colleges. The BIS intends to provide £50 million matching investment in National Colleges from April 2015 up to March 2017 (BIS 2014a). The government's Call for Engagement document (BIS 2014a) does not leave any doubt that National Colleges will be private providers of advanced VET.

Currently, the three parties share the costs of apprenticeship – employers pay the apprentices' wage, apprentices accept a sometimes relatively low level of pay and the government funds the apprenticeship training and accreditation. The apprenticeship training, i.e. the off-the-job training, is provided by government-approved providers[2] who become eligible to use public funds. Currently, for apprentices aged between 16 and 18, the government covers the full cost of the training. For those aged 19 or over, only up to 50% of the training costs are covered by the public purse. In the latter scenario, the employer is supposed to contribute to the outstanding costs of training (NAO 2012). When an apprentice is 24 or older on starting the programme, the employer needs to pay 100% of the training costs (Hogarth et al. 2014).

The way training is organised differs by employer size and sector. Smaller employers, which constitute 88.8% of all enterprises (ONS 2011), have training providers manage the apprenticeships. This is the case even when on-the-job training comprises a large portion of the apprenticeship, as happens in retailing and hospitality. In contrast, larger companies, which constitute 0.4% of all enterprises (ONS 2011), choose to define the role of the training provider in the apprenticeship programme. Such companies potentially have a better idea about the off-the-job training and assessment they require and are much more active in organising apprenticeships. These companies are usually from the construction and engineering sectors. Thus, the sector and size of the company is often associated with the degree to which the employer is involved in the apprenticeship training, some are relatively passive and others more active (Hogarth et al. 2014, 13). Furthermore, there are different ways of initiating apprenticeships, especially between large and small employers. Large employers recruit apprentices and arrange the training with a provider. The largest employers (60 firms in 2010–2011) contract with the SFA, an executive agency of the BIS, to receive the funding for the off-the-job training directly (NAO 2012). In most of the cases, however, training providers either approach employers and offer to train their apprentices for 'free' (Richard 2012, 83) or recruit apprentices, acting as a recruitment agency, and find a workplace for them at a small firm (NAO 2012).

The Conservative Government's decision in the early 1980s to open access to government funding to private providers of skills training under the YTS was a major incentive for the marketisation[3] of skills training in England (Fuller and Unwin 2009), and created a new sector of private training providers that were largely funded by government training schemes, some being for-profit organisations, others in the voluntary/third sector. These new types of independent providers absorbed the public-funding-driven demand for training.

The YTS was initiated in response to very high unemployment rates and a large drop in apprenticeship numbers. However, given that there were considerably more young people than employers willing to hire them, a major criticism of YTS was that employers could exploit young people as cheap labour instead of providing education and training that would prepare them for future employment and learning. Many apprentices were dismissed after finishing their apprenticeships and were forced to move from one state-sponsored scheme to another (Fuller and Unwin 2003). While not all apprentices benefited from the scheme, training providers reaped significant benefits from the YTS. Before the introduction of YTS, FE providers were educating and training apprentices sent to them by employers; under the YTS, FE and ITP providers both recruited young people and found 'placements' for them at firms. As a result, the focal point for a young person was a provider and not an employer (Fuller and Unwin 2009). Training providers turned into brokers – involving employers – who also performed the function of trainers. Crucially, both these functions were paid for from the public budget (Steedman 2011) which ultimately resulted in the system moving from being demand-led to supply-led.

YTS was one of the first in a number of initiatives (e.g. Training Credits/Youth Credits, franchised provision) that encouraged the expansion of the private training sector in England. The Further Education Funding Council (FEFC) records demonstrate that the government steadily increased allocations to external training institutions throughout the 1990s. While in 1993, ITPs received £49.6 million from the public budget, in 1998 the allocations reached £62.6 million (based on 1993 prices) (FEFC 1994, 1998). Successive governments and the UK parliament consistently supported simplification of regulations that would allow private providers easier access to public funds. In 2004–2005, for example, the Parliamentary Committee on Education and Skills promoted the idea of allowing independent operators to contract directly with the Learning and Skills Council (LSC) to make public funding more accessible to independent providers. The Parliamentary Committee believed that 'a diversified base of providers is a laudable aim' (Education and Skills Committee 2006, 27). This public-funding-supported diversification resulted in a highly marketised system run by private suppliers of training. Even recently, Matthew Hancock (2014), the then Minister of State for Skills and Enterprise, noted in his address to ITPs: 'You are the salesforce. You guide employers through the system.'

The provider-led market has raised a few concerns pertaining to publicly funded private training. These concerns relate to perverse incentives for training providers, potentially high transaction costs and low employer engagement in assessing the performance of ITPs.

The existing system generates perverse incentives for training providers. In 2003, the minimum level of performance benchmark in the form of success rate floor targets was introduced by the LSC, which all FE colleges and the majority of other training providers had to meet (LSC 2005). Such performance benchmarks made it more risky for ITPs to deliver high-cost apprenticeship programmes but incentivised them to recruit more apprentices. In turn, they are further incentivised to ensure completion rates of apprenticeships within expected time frames. These two incentives push providers to deliver large-scale apprenticeship programmes that are cheap and quick. One such example was the apprenticeships offered to Morrison Supermarkets plc employees through the then Elmfield Training (Keep and James 2011, 57).[4] As training providers are oriented on profit, they may offer only a few selected apprenticeship framework subjects to large numbers of apprentices. The Richard Review indicates that in 2010–11, 83% of new apprenticeships started in only 15 framework subjects (Richard 2012). Furthermore, the system also provides an incentive to put apprentices who are ready for a level 3 apprenticeship on a level 2 programme first (Richard 2012). All of these incentives drive behaviours that result in a highly inefficient use of scarce public resources.

Moreover, contracting and subcontracting generate transaction costs (Finkelstein and Grubb 2000). Toner (2014) uses transaction cost economics to argue that publicly funded VET cannot be efficiently contracted out as contractors need to cover the costs of search, selection and marketing. It has been shown in Australia, for instance, that contracting out publicly funded VET to private providers has given rise to concerns related to the decline of VET quality (Toner 2014). In England, it is not only contracting out but also wide-spread subcontracting practices that may increase transaction costs related to training provision. No calculations of such transaction costs have been undertaken. Neither do we have any analysis of the drivers of subcontracting in English settings. We can, however, hypothesise that one of the main drivers of subcontracting is the minimum contract level that has been in place since 2011–2012 (Richard 2012). In order to receive public funding, an ITP needs to deliver a contract value of £500,000. This facilitates a proliferation of a market made up of subcontractors.

Finally, although the SFA monitors the ITP performance using pre-defined key performance indicators, employers themselves have little influence on the structure, content, delivery and duration of apprenticeships (Johnson et al. 2014) and have limited engagement in managing the apprenticeship programmes and assessing the performance of ITPs (Richard 2012). These three issues, among a number of others, were identified in the Richard Review (2012), which ultimately has lead to the current reforms. The Richard Review (2012) argues that employers must be customers and training organisations must respond to the needs of employers, as employers are in the best position to demand high-quality, relevant training from providers. It is for the reasons above that the Coalition Government envisages an employer-led system, to move from a supply-side to a demand-driven arrangement. In the following section we highlight the potential implications of employer-routed funding on the apprenticeship provision in England and argue that the establishment of this demand-led system is not feasible. We then analyse the implications of the reform for the publicly funded segment of the private provision.

An employer-led system of apprenticeship training

Running in parallel to the ever-increasing provider-led system, a number of skills policies throughout the 2000s were oriented on influencing employers to actively engage with and invest in apprenticeship training.[5] Unsurprisingly, given the current system, the effectiveness of these policies in terms of changing employer behaviour was only marginal (Brown, Harris, and Fletcher 2011). So, what is different about the new reform programme? The government intends to give employers more control and make them central to the reform programme with the belief that this will put apprenticeship policy on the right foot (BIS 2014b). It is thought that this belief will be realised via the introduction of employer-routed funding, where employers have control of the public funding for apprenticeships (BIS 2014b; Hogarth et al. 2014). Besides the usual contribution via wages, in-house training and mentoring, the government plans to also introduce enforced co-investment by employers to contribute to the external training costs of apprenticeships. The government will only co-invest in the costs related to external training and assessment; it will not contribute to apprenticeship wages, subsistence and travel to work or employers' internal costs related to mentoring and recruitment (BIS 2014b). Under the existing apprenticeship model, employers often do not pay, or pay very little, to training providers; such payments usually cover any training that is outside the scope of a specific apprenticeship framework (Hogarth et al. 2014).

The Richard Review indicated that employer-routed funding is the only way to ensure that the training responds to employers' needs and 'maximise[s] the value for money from Government investment' (Richard 2012, 12). By moving the responsibility for setting the prices of training and assessment to employers, the government plans to allow the market to determine the real costs of training apprentices (BIS 2014b): 'the price should be free to respond to and reflect their [employers'] demand for training' (Richard 2012, 12). In this free market of training provision that revolves around employers' demand, the providers will be forced to surrender to market forces, lower the price of their services, and improve the training provision. The government's logic on this reform was explained by Hancock (2014):

> At the moment, government – by funding training providers directly – holds the purse strings. How different would it be if employers were able to apply exactly the same principles to apprenticeship training as to any other business decision. Discussing and negotiating directly with [providers] to agree the best quality training to meet [employers'] needs. That is exactly what our changes to the funding system will achieve. By putting funding in the hands of employers, they will be free to work with [providers] to secure the most effective opportunities for their employees. It doesn't mean every employer will negotiate every price. When I go to Tesco I don't negotiate the prices, and I guess you don't either. But they know sure as anything I can go to Waitrose next door if I want, and that drives value for money. Getting away from a price fixed by government is a key part of these reforms – to drive value and get the most out of the public funding that's available. Instead of looking to government and regulators, industry will set new models of delivery, using new technology to the full, innovative, responsive, and led by employers.

Notwithstanding the intent, the government may be overestimating the eagerness of employers to drive apprenticeship training (see, e.g. James, Laczik, and Mordarska [forthcoming] on this subject). First, even though employers are not required to take a leading role under the current model there is limited interest in being involved in apprenticeships. Only 10% of all English businesses have staff undertaking apprenticeship (UKCES 2012). Second, those employers who offer apprenticeships do not seem to be dissatisfied with the influence they have over the content, structure and assessment that the existing apprenticeship model involves. A recently conducted study by Hogarth et al. (2014) showed that there is little support among employers for paying more in order to obtain increasing influence over apprenticeship training. Although half of the respondents welcomed the idea of employer-routed funding because of the influence they could have on the standards of the quality of service provided – note it was not the content, structure or assessment – the other half of the employers did not support the idea of employer-routed funding because of the administrative burden and the risks related to inadvertently mismanaging public money (Hogarth et al. 2014).

The desire to drive apprenticeships is particularly low among small-to-medium sized enterprises (SMEs). The Apprentice Employer and Learner Survey conducted by Ipsos MORI on behalf of the BIS in 2012–13 showed that 26% of the SMEs surveyed did not want to influence apprenticeship training at all. A follow-up qualitative study showed that SMEs lack of motivation to influence apprenticeship training stems from either their satisfaction with the training apprentices receive or their disillusionment with the taught component of apprenticeships (Johnson et al. 2014).

In addition, the government's Technical Consultation on Funding Reform for Apprenticeships in England (July 2013) asked for feedback on three models of the apprenticeship funding reform proposed in The Richard Review: a direct payment model, a PAYE payment model, and a provider payment model.[6] Eighty out of the 366 responses to the consultation came from businesses (32 from small businesses, 18 from medium businesses and 30 from large businesses). Their preferences differed by the size of business: small businesses preferred the provider payment model as they felt that only this model would generate a relatively small administrative burden; medium-sized businesses preferred a PAYE model; and large businesses tended to prefer the direct payment model (BIS 2014b). The responses of employers and training providers to the government consultation also revealed their general concern that cash flow constraints may be one of the reasons preventing small businesses from participating in apprenticeship training under the proposed new model (BIS 2014b). Thus, the government is aware that if the responses of the small business are representative of the majority of businesses in this country – 88.8% of businesses are small – then the model of employer-routed apprenticeship funding is not the preferred one.

Moreover, the extent of employer engagement will also depend on the proportion of co-investment required from businesses. Although employers are expected to contribute 33% of Trailblazer costs (SFA 2014c), the proportion is yet undecided for the rest of the sector. There are indications, however, on the potential responses from employers to different levels of co-investment. Hogarth et al. (2014) found that employers facing co-investment at a level equivalent to 20% of the funding currently provided by the state would either have no impact on employers' involvement in apprenticeships or reduce their involvement, and some employers said they would entirely stop providing apprenticeships. Furthermore, if they were expected to contribute 50%, firms would reduce the number of apprentices or withdraw from apprenticeship provision altogether. Considering the proposed incorporation of English and maths in apprenticeship programmes, the cost of the reformed apprenticeships will be higher than their current costs. Therefore, employers might have underestimated the actual amounts that the 20% or 50% of apprenticeship training cost may translate into.

With the proposed initiative of mandatory co-investment, higher costs of apprenticeship training and the additional administrative burden of organising apprenticeships, it is highly unlikely that the magical forces of the free market will push employers towards offering more apprenticeships. Interestingly, and for the first time in many years, quality has become a bigger issue than volume (although volume has not been abandoned) with the government focussing on the improvement of the quality of apprenticeship by creating a demand-led system (BIS 2014b). While this is an extremely admirable goal, it is somewhat misplaced given that only 10% of all businesses have staff undertaking apprenticeship (UKCES 2012). If the number of apprenticeships does not increase, the amount of funding channelled to education and training (E&T) providers may remain limited or decrease altogether. What will be the implications of this new apprenticeship model for the publicly funded segment of private training provision?

We develop two future scenarios related to the implications of the reform for the publicly funded segment of the private training market. Scenario one would involve an overall shrinkage of the publicly funded private provision. Depending on the proportion of mandatory co-investment, some employers may entirely withdraw from apprenticeship provision. Those who agree to be contributors to the costs of apprenticeship training and continue their engagement with apprentices, may be likely to either negotiate with providers, trying to lower the price, or shift to providing the training in-house (Hogarth et al. 2014). The Employer Perspectives Survey 2012 undertaken by the UKCES found that 63% of employers who provided training to their employees, did this internally, compared with 47% who used external providers; 11% train exclusively internally; around 36% provide training both internally and through external providers (Shury et al. 2012). In the future, 59% of employers intend to increase the amount of on-the-job or internally delivered training (CBI 2014).

An alternative scenario may involve an expansion of the private training provision, as employers may be unable to manage apprenticeships on their own. When seeking help with administering apprenticeships, employers may be more likely to approach ITPs rather than FE colleges. As shown by a recent survey, ITPs are more attractive to employers than FE colleges, with 77% of employers being satisfied with the responsiveness of the private sector and only 61% of employers being satisfied with the services they purchased from FE colleges (CBI 2014). The BIS consultation document recognises the possibility of expanding the duties of training providers in the new model of apprenticeship delivery, acknowledging that employers may delegate apprenticeship administration to third parties:

> The system will need to accommodate employers passing some of the responsibility for data collection to their chosen training and assessment providers. Training providers may also choose to offer an administration service to employers as part of their Apprenticeship package, as many of them do in the current system. (BIS 2014b, 17)

It is also recognised that the reforms will mean that ITPs need to re-focus their mission to include the possibility of providing ‘wrap around services’:

> You are the salesforce. You guide employers through the system. At your best, you work with them to design training that suits their needs. In the new system, the role for these wrap around services will be in many cases greater, not smaller. You will be the salesforce for new apprenticeships. You will support employers, responding to their needs, building long term relationships between employers and the training they and

> their apprentices value.[...] The cost of bringing any product successfully to market is made up only in part – and often a minority part – by the raw materials. The design, the marketing, the logistics, these are all part of the price of any product – and I have no doubt they will be part of your future apprenticeships too. (Hancock 2014)

These quotes indicate that the government is aware of the possibility that the new apprenticeship model will create a higher workload for training providers and that the majority of these providers are likely to be private considering 63–67% of total publicly funded apprenticeship training is delivered by ITPs (UK Government 2013b). Moreover, this scenario will more than likely be associated with higher transaction costs (as discussed above). Therefore, hopes that employer-routed funding will 'maximise the value for money from Government investment' (Richard 2012, 12) or that it will 'optimise investment in apprenticeship training' (Hogarth et al. 2014, 3) may not materialise.

Thus, the new system may result in higher per apprentice costs for the public budget as well as employers. Nevertheless, the driving motive emerging from the government discourse is noble – the improvement of apprenticeship quality. A number of points we have made in this paper challenge the assumptions underlying the government discourse on the proposed employer-led system of apprenticeships: employers are not dissatisfied with the existing quality of training provision; employers are not keen on contributing to training costs and coordinating apprenticeship arrangements; transaction costs associated with employer-routed funding will most probably be higher than the current transaction costs.

Shared ownership of the apprenticeship system

The demand for skills training is a multifaceted, temporally intricate phenomenon and raises a number of questions, such as whose demand should drive apprenticeships – employers, students, industries, the economy at large or the wider society? And is it the short-term future demand or the long-term future demand that we are talking about? The main actors that form the system of skills training – learners, employers, providers and the state – have differing, and sometimes competing, answers to these questions. The situation is further complicated by the fact that these diverse actors, taken individually or collectively, may have limited clarity regarding their demands from the apprenticeship system, not to mention the limited impact that unions have in this arena. Even if the actors had well-defined expectations, the state would need to consider a number of competing educational, social, economic priorities when determining the demand that needs to drive the apprenticeship system. Conveniently avoiding this labyrinthine question, it has been taken for granted that apprenticeships should prioritise the demand of employers:

> the skills system is in reform. Government wants to build a responsive skills system that has at its heart the principles of employer ownership and enterprise, ensuring funding follows learners, and encouraging colleges to be social enterprises, not delivery arms of Government. It is important that the skills offer now, and going forward, is clear and meets the needs of employers. (BIS 2014c, 23)

Contestability has been recognised as a central concept in a 'demand-led' system (Hodgson, Spours, and Steer 2008). Consecutive governments have tried to implement policies that would give employers sufficient choice, not limiting them to a particular FE college or independent training provider. We witnessed the development of the training provider market to such a degree that providers' drove the entire system of apprenticeships (see, e.g. Guile [2010] for a critique of the creative and cultural sector). As explained earlier in this paper, the key policy that gave rise to the expansion of the provider base was the YTS in the 1980s. Paradoxically, this is the same YTS that replaced the employer–employee managed schemes of apprenticeships with government-run and publicly subsidised short programmes, administered by providers. The YTS was a central part of the Conservative party's labour-market strategy to shift the power and interests in delivering skills training to that of employers; the Conservative party was determined to have the training sector arranged on employers' terms (Peck and Jones 1995). What we are left with, instead, is an apprenticeship system led by providers.

Crucially, sufficient choice of providers is somewhat secondary when there is insufficient demand for skills among employers (Keep and James 2012). There are several reasons behind the low demand for skilled labour in this country: employers make money by selling low-quality products and services (Lloyd, Mason, and Mayhew 2010); firms have a polarised workforce with a small core of highly skilled workers and the rest low skilled labour (Keep and James 2012); the service-based economy does not require substantive off-the-job training and the requisite interpersonal skills can be recruited or relatively easily acquired in the workplace (Unwin 2010).

Even if employers demanded a highly skilled workforce, the current economic reality would make their active engagement in apprenticeships unlikely. The changes in the apprenticeship models are closely intertwined with the economic development pathway of this country. Historically, a relationship between an apprentice and an employer was at the core of apprenticeships. FE colleges developed from mechanics' institutes to meet the needs of industry and until the mid-1960s they trained apprentices who took courses followed by generations of tradesmen and technicians (Unwin 1990). With the increase in the centralised control of the skills training system since the 1980s (Keep 2006), the employer–employee relationship has been overtaken by government-led programmes often administered and devised by training organisations. Since 88.8% of enterprises are small businesses employing less than 10 people (ONS 2011), it may be unrealistic to expect that the model of employer-led and employer–employee relationship-based apprenticeship would be viable. For a small firm, giving quality training may not be a first order priority.

Another relevant aspect of the current economic reality is the declining 'Britishness' of British industry. Keep (2012) argues that as foreign businesses are overtaking domestic companies at an unprecedented rate, the success of these firms becomes less intertwined with interests related to overall national competitiveness. Therefore, businesses may be less committed to the 'national project' of high-quality apprenticeships. Thus, there are reasons for scepticism when it comes to giving employers the exclusive power to choose and purchase training.

A high-quality system of apprenticeships requires refocusing from a single-actor-led to a multiple-actor-led system based on the idea of shared ownership. Shared ownership envisages all elements of the system are shared: challenges, expertise, and resources to overcome them, the responsibilities for decisions and subsequent successes or failures. All of the actors – learners, employers, providers, and the state, including giving more leverage than they currently have to professional associations and trade unions– should have a voice and lead the system collaboratively. These actors do have competing interests when it comes to skills training (Keep 2012).

Therefore, the idea of shared ownership needs to find embodiment in structural arrangements that mediate conflicting interests and result in a balanced system driven by a variety of short-term and long-term economic and social demands. Such a system of shared ownership would be based on the assumptions of shared costs and responsibilities.

Besides a fair and efficient system of cost-sharing, such a system requires supporting the strengthening of institutions; stimulating a stronger voice of trainees, trainers, employers and trade unions; encouraging employers to become better trainers (possibly collectively, through group training associations, for example); and creating possibilities for providers to improve their training capacity.

One of the core determinants for creating the multiple-actor-led system is building trust and good relationships amongst and within the communities of all key actors, especially the trust in training providers, both public and private. It was almost two decades ago when Hodkinson, Sparkes, and Hodkinson (1996) wrote about the importance of good relationships between learners, trainers and employers for ensuring a high quality training process. Moreover, ongoing research on developing and understanding vocational excellence confirms the importance of good relationships between learners, trainers and employers, with the role of trainers being crucial in developing such collaborative and effective learning environments (James and Holmes 2012; Mayhew, Chankseliani, and Laczik 2013). Institutions and policies need to serve the process of promoting good and effective relationships between different participants of apprenticeships. Yet, this process is more complex than what policymakers portray, which is often in simplified economic terms.

The ‘demand-led’ policies that have resulted in the supply-led system have generated perverse incentives for providers that allow them to lose sight of their primary educational purposes. Successive governments failed to consider the fact that a well-functioning market requires ‘strong’ actors on both the supply and demand sides (Wolf, Jenkins, and Vignoles 2006). Following the ideas of Finkelstein and Grubb (2000), students and employers, as customers, need to be sophisticated and informed about the choices they have. FE and skills training providers need to be oriented toward a high-quality product to the same degree as they are committed to metric performance indicators and profit-making. Orientation on high-quality education and training requires the existence of a strong sense of institutional purpose, in the case of providers, their educational purpose (Finkelstein and Grubb 2000). The creation of such ‘strong’ institutions is a developmental process, which cannot be effective under the conditions when education and training institutions have only profits and outputs in mind, and most certainly not achievable as outlined and intended in the current reforms.

Notes

1. The public funding comes from the following government offices: the Skills Funding Agency (SFA), the Department of Work and Pensions, National Careers Service, the Department for Business, Innovation and Skills (BIS), the Department of Education.
2. The SFA approves providers and keeps the Register of Training Organisations. The approval process includes the assessment of the financial health and standing of the organisation and also considers quality indicators, if these are available. In order to get an approval, the organisation needs to submit financial statements and an online questionnaire using an automated web service (Richard 2012 82–83).

3. We define education and training marketisation as the sequence of government policies aimed at the introduction of market models into the education system, in order to devolve the state of responsibility of distributing taxpayers' money effectively, equitably and efficiently to other actors (Chankseliani 2014).
4. The SFA investigated Elmfield Training on allegations of improper use of funding (SFA 2014b). After going into administration, Elmfield Training was purchased by another ITP (FE Week 2013).
5. These policies were focused on three main areas: provision of information on skills, encouraging employers' voluntary commitment to training (the Skills Pledge) and establishing a legal right for employees to take time off to train (Time to Train) (Brown, Harris, and Fletcher 2011).
6. In the direct payment model, employers register apprentices and report claims for government funding through a new online system. Government funding is then paid directly into their bank account' (BIS 2014b, 30). In the PAYE model Employers register apprentices through a new online system. They then recover government funding through their PAYE payments' (BIS 2014b, 30). In the provider payment model, government funding continues to be paid to training providers, but they can only draw it down when they have received the employer's financial contribution towards training' (BIS 2014b, 30).

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