

Modern Apprenticeship Programme – Service Delivery Policy Statement

2017/18

December 2016

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1. Introduction

1.1 As Scotland's skills body, we are central to driving the success of Scotland's economy. We work with our partners to create a Scotland where:

- employers are able to recruit the right people with the right skills at the right time
- employers have high performing, highly productive, fair and equal workplaces
- people have the right skills and confidence to secure good work and progress in their careers
- there is greater equality of opportunity for all

1.2 We administer Modern Apprenticeships (MAs) on behalf of Scottish Government. The Scottish Government provides funding support for MAs as a key investment in promoting Scotland's economic growth. Apprenticeships are an important component of the Scottish Government's measures to promote sustained employment and contribute to developing Scotland's workforce.

1.3 Modern Apprenticeships continue to perform well:

Between 2008/09 and 2015/16, the proportion of individuals completing their MA increased from 67% to 76%

- in 2015/16, 65% of MA starts were at Level 3 and above;
- 79% of all MA starts were 16-24 year olds;
- 34% of all MA starts are in STEM and
- employment outcomes for individuals six months after completion of the MA remain strong with 91% still in employment six months after completing their apprenticeship

1.4 Continuous improvement is a key driver of SDS activity and we will continue to use a process of evaluation and review to inform the development of the MA programme over time.

2. Operating Context

2.1 The economy and labour market

At the time of writing (autumn 2016) Scottish gross domestic product, output and employment continue to rise above pre-recession levels although the pace of increase has slowed. The Scottish economy has been resilient over the last 12 months in the face of the most challenging external economic conditions in recent years¹, not least the downturn in the oil and gas sector. The service sector (which accounts for 80% of output) benefited from lower energy costs and strengthening household finances, which alongside growth in the construction sector, combined to mitigate the job losses and reduced spend and investment in the oil and gas sector.

Unemployment also continues to fall. However, the downturn in the oil and gas sector in particular threatens the economic recovery and some commentators cite under-performance in the 'all-important' service sector². GDP forecasts are for continued growth, but at lower rates than forecast 12 months ago.

Some difficult economic challenges continue to be present, including:

- youth unemployment which, although less than the UK average, remains at almost three times the working age unemployment rate
- underemployment – where individuals are either working fewer hours than they would like or are over-skilled for the jobs they hold. For every full-time job in the recovery there have been three part time jobs
- static (and in some sectors declining) real wages, putting pressure on household incomes and contributing to in-work poverty
- low productivity rates - in comparison to UK and European averages
- continuing polarisation of employment with a strong bias towards higher skilled occupations, and an 'hourglass labour market' – this offers disproportionate opportunities at the top and the bottom of the labour market and few opportunities for those in the middle, presenting a serious challenge to progression.

2.2 According to the UKCES Employer Skills Survey 2015¹, there was a steep rise in vacancies reported by employers in Scotland between 2013 and 2015 - from 54,000 to 74,000. This reflects high demand for labour. Almost a quarter of all employers reporting vacancies cite skills shortages as the cause (24%). As the economy continues to expand, increased employer competition and demand for skills could mean skill shortages have the potential to act as a brake on economic recovery. Skills Investment Plans² and the newly developed Regional Skills Assessments play a crucial role in informing provision through MA frameworks. These, combined with accurate information from employers and their demand for skills going forward, will help us to ensure that the appropriate volumes of supported MAs are offered in the right sectors and at the right levels.

¹ <http://www.gov.scot/Resource/0050/00501092.pdf>

² <http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/ey-scottish-item-club-summer-update-2016>

2.3 Scottish Apprenticeship Advisory Board

The Scottish Apprenticeship Advisory Board (SAAB) was created earlier this year to give industry and employers a leading role in developing apprenticeships in Scotland. Originating from the recommendations of the Commissioning for Developing Scotland's Young Workforce, the purpose of SAAB is to provide employer leadership and contribution to the development of apprenticeships in Scotland; ensuring they are aligned with industry and economic need, Fair Work and job opportunities. It will be responsible for providing advice and making recommendations on the guiding principles, operational policy, systems and structures supporting apprenticeships in Scotland.

The Board consists of four groups as follows:

A Group Board

This includes senior business representation responsible for providing advice and making recommendations on the guiding principles, operational policy, systems and structures supporting apprenticeships in Scotland.

Employer Engagement Group

This includes employer and business organisations and a representative of the Developing the Young Workforce National Group. This group's specific role is to listen, engage and communicate and distil information from employers on matters affecting Apprenticeships in Scotland.

Employer Equalities Group

This incorporates representatives from business with a focus on equality and diversity. The group's remit is to address under-representation in apprenticeships; supporting improved access and participation.

Frameworks and Standards Group

A technical group which will ensure that supporting structures are developed and maintained, and contribute to an effective apprenticeship system in Scotland.

The set up of the Advisory Board comes at an important time for apprenticeships with the introduction of the levy from April 2017. SAAB will play a key role in advising on the use and fulfilment of the levy in Scotland to meet industry demand.

SDS is responsible for managing the funding and promotion of apprenticeships on behalf of Scottish Government. The SDS Board is responsible for facilitating employer leadership of apprenticeships through SAAB. SDS is working with the university sector and other partners to establish the Centre for Work-Based Learning, which has a remit to promote the value of work-based learning in the Scottish education and training system. Through its research and development activities, the Centre will support the work of, and be informed by, SAAB.

¹ [3 Scotland Slide Pack FINAL.pdf](#)

² <http://www.skillsdevelopmentscotland.co.uk/resources/skills-investment-plans/>

³ <http://www.skillsdevelopmentscotland.co.uk/resources/regional-skills-assessments/>

3. Policy Environment

3.1 The Scottish Government's **Youth Employment Strategy**⁴ and Audit Scotland's **Review of MAs**⁵ were published in 2014. They have significant policy implications for the MA Programme and SDS is already working with Scottish Government and other partners on the areas highlighted below:

- increasing the number of MA starts to 30,000 each year by 2020.
- aligning MAs with the skills required to support economic growth, with a focus on Science, Technology, Engineering and Mathematics (STEM) areas.
- using robust evidence, including Skills Investment Plans and Regional Skills Assessments, to inform the allocation of MA opportunities across the economy.
- increasing the number of MA starts - focused at higher levels (level 3 and above) and should continue to concentrate on the 16-24 year old cohort where the long term returns are likely to be greatest. By 2020, the aim is that two-thirds (20,000) of MA starts are at Level 3 and above.
- improving access to and progression from the MA Programme.
- promoting equality of opportunity throughout the MA Programme.
- promoting the Scottish Employer Recruitment Incentive, a recruitment incentive package to equip and support smaller and micro businesses to recruit and train more young people.
- independent external review of off-the-job components of MA delivery led by Education Scotland.

3.2 The MA expansion programme will see the steady growth of MA starts from 25,000 to 30,000 per year by 2020. We are working with partners and have secured European Social Funding to help us achieve this and to ensure that additional starts focus on growth sectors at Level 3 or above

3.3 Part of our work improving accessibility to MA opportunities has seen the launch of www.apprenticeships.scot

3.4 We have also begun to expand the 'Apprenticeship family', through Foundation and Graduation level apprenticeships.

<https://www.apprenticeships.scot/take-on-an-apprentice/foundation-apprenticeships/>

<https://www.apprenticeships.scot/take-on-an-apprentice/graduate-level-apprenticeships/>

3.5 Apprenticeship Levy

The UK Government plans to introduce a UK wide Apprenticeship Levy from 1 April 2017. There is significant interest among employers and other stakeholders regarding the Scottish Government's plans to use funding from the Apprenticeship Levy. Over the summer, the Scottish Government consulted on a Scottish response to the introduction of the UK Apprenticeship Levy with a commitment to developing a distinctly Scottish approach to apprenticeships and wider skills development and to drive closer

engagement with industry.

There were over 400 responses to the consultation with broad employer support for the ambitions within it, including retaining the current target of 30,000 Modern Apprenticeship starts by 2020. The analysis from the consultation responses was published in October <http://www.gov.scot/Publications/2016/11/7593> with the findings being used to finalise the response in Scotland as part of the forthcoming Scottish Budget.

⁴ Developing the Young Workforce: Scotland's Youth Employment Strategy (2014)
<http://www.gov.scot/Resource/0046/00466386.pdf>

⁵ Audit Scotland's review of Modern Apprenticeship Programme:

http://www.audit-scotland.gov.uk/docs/central/2014/nr_140313_modern_apprenticeships.pdf

4. Purpose and objectives of the MA programme

- 4.1 The dual purpose of the MA Programme is to support individuals to learn while in work; and economic growth across Scotland. MAs are a **joint** investment between employers and public funding. Employers invest the greater amount through wage costs and on-going support and public funding **contributes** towards the cost of training.
- 4.2 SDS administers the Scottish Government's funding **contribution** toward the cost of training for employees that employers wish to support through an approved MA framework.
- 4.3 We have priority areas that influence our funding decisions:
- increasing the proportion of **young people** supported through MAs, particularly those **aged 16 to 24** years old
 - increasing the proportion of apprenticeships at **Level 3 and above** - particularly those related to STEM subjects/occupations
 - increasing the proportion of apprenticeships which support our growth and key sectors
 - supporting **older workers** where they are employed in prioritised frameworks
 - aligning funding with the Skills Investment Plans and Regional Skills Assessments
 - maximising opportunities for the wider availability of **higher level Apprenticeships** including Technical Apprenticeships at SCQF Levels 8 and 9, and Professional Apprenticeships at SCQF Level 10
- 4.4 In addition, there are priorities in developing the Programme as follows:
- addressing any occupational segregation issues
 - encouraging greater participation from small and micro businesses
 - increasing the participation of individuals from under-represented **groups** including those from minority ethnic communities, people with disabilities and those with experience of care

5. MA Eligibility

5.1 The age groups eligible for Modern Apprenticeship support are as follows:

- Individuals aged 16-24: Individuals in this age group are eligible for support in completing any approved MA frameworks;
- Individuals aged 25+: Government support for individuals in this age group is targeted towards specific sectors and frameworks and only the relevant MA frameworks are eligible for funding.

5.2 Funding for the Public Sector:-

- In 2017/18, as a result of the introduction of the UK-wide levy, Scottish Government funding for individuals who work within the Public Sector will match that for the private sector,

Further details on MA eligibility criteria can be found in the draft MA Programme Rules 2017-18 published on Provider Central and Instruction to Bidders document posted on Public Contracts Scotland

5.3 Rural support

SDS set up a rural MA working group to examine the issues raised by employers and training providers regarding the costs of accessing training in more remote and rural areas. For 2017/18 a rural support policy has been adopted for trainees who live in the following Local Authority areas: Argyll and Bute; Highland; Moray; Orkney; Shetland; Western Isles; Dumfries and Galloway and Scottish Borders.

The new rural funding policy will apply as follows:

- longer MA frameworks with between 12 and 16 milestones e.g. engineering and construction will attract a supplement of £1000 paid over the duration of training
- medium length frameworks with 6 to 11 milestones will attract £500 uplift and
- short frameworks with 2 to 5 milestones will attract £250 per person

The supplement will be added to the contribution rate and will be paid through FIPS.

6. Advancing Equalities

- 6.1. SDS is committed to addressing equality issues, within education and working environments and in outcomes for young people. We recognise the importance of MAs as an integral part of an individual's journey to and within employment for people from all backgrounds.
- 6.2. Providers must actively encourage equality of opportunity within their MA provision. To help advance equality of opportunity within the MA programme, there will be more explicit requirements for training providers to:
 - Identify their level of pro-activity when bidding to deliver MA starts
 - Provide evidence of how they analyse and evaluate their equality monitoring information
 - Review their approach to improving representation from minority groups as part of their quality assurance (continuous improvement) process
- 6.3. To meet these requirements, SDS will expect training providers to consider their activity in relation to improving equality of access generally and in particular in line with how it:
 - addresses gender disparities across MA frameworks;
 - promotes MA opportunities to young people and parents from the Ethnic Minority community;
 - undertakes specific actions to increase the number of young disabled people engaging in MAs;
 - encourages and supports employers to employ young disabled people; and
 - supports parents and carers of young people from low participation groups in accessing MA opportunities
- 6.4. Providers are asked to actively encourage and support disabled young people, care leavers, young females and those from Ethnic Minority communities to participate in provision where it is appropriate for them. The focus on these groups reflects their under-representation in training and employment.
- 6.5. Providers should be cognisant of the approach SDS is taking towards equalities with partners as set out in our five year [Equality Action Plan for Modern Apprenticeships](#) and subsequent updates.
- 6.6. In 2016-2017 we asked providers to create their own Provider equality action plans; identifying how their knowledge and understanding of equality challenges and how to address them would be maintained; setting out the specific actions they were taking to improve under-representation; and plans to review effectiveness of these actions.
- 6.7. These equality action plans have been reviewed through SDS quality processes and will continue to inform our contracting and provider review processes for 2017-18. We will fully integrate equality-related asks within our developing approach to quality assurance and improvement. For 2017/18, there will continue to be a requirement to complete a separate Provider equality action plan. A separate approach will apply to Providers who will be part

of the pilot activity for the revised approach to quality for 2018/19.

- 6.8. Providers should reflect within their own equality action plans their commitment to improving the diversity of the workforce through MAs. Where appropriate, their plans should also reflect, specific actions set out by industry in the Skills Investment Plans (SIPs). . Where a SIP does not apply to the frameworks delivered, we expect Providers to review the local labour workforce in relation to under-representation and to consider appropriate proportionate and progressive action in relation to improving representation in Modern Apprenticeships

Currently, SIPs highlight the following equality-related imperatives:

- ICT frameworks: to improve female representation in line with the [ICT/digital technology skills investment plan](#)
- Frameworks that support jobs within the energy sector: to improve female representation in line with the [Energy SIP](#)
- Construction frameworks: to improve female representation in line with the [Construction SIP](#)
- Engineering frameworks (including those utilised for chemical sciences) to improve female representation and to promote entry from different routes in line with the [Engineering SIP](#)
- Health and social care frameworks: to improve male representation in line with the sector's concerns in relation to under-representation
- Frameworks that support jobs within the Food and drink sector: to attract individuals from diverse backgrounds such as those with disability and from minority ethnic communities in line with the [Food and drink SIP](#)
- Frameworks that support jobs within the Creative Industries sector: to attract individuals from diverse backgrounds such as those with disability and from minority ethnic communities in line with the [Creative Industry SIP](#)
- Frameworks that support jobs within the Financial services sector : to attract individuals from diverse backgrounds such as those from minority ethnic communities in line with the [Financial services SIP](#)
- Frameworks that support jobs within the tourism and hospitality sector: to attract individuals from diverse backgrounds such as those from minority ethnic communities in line with the [Toursim SIP](#)