

<b>Title:</b> Preventing misuse of the term 'apprenticeships' in relation to unauthorised training  <b>IA No :</b> RPC-3017(2)-BIS  <b>Lead department or agency:</b> Department for Business, Innovation and Skills  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 14/10/2015		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Primary legislation		
	<b>Contact for enquiries:</b> Hannah Sinclair; hannah.sinclair@bis.gsi.gov.uk; 0114 207 5389		
<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> GREEN

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2014 prices)	In scope of One-In, Measure qualifies as Two-Out?
-£0.04m	-£0.04m	£0m	Yes
			IN

**What is the problem under consideration? Why is government intervention necessary?**

Government has made a commitment for there to be 3 million new apprenticeships commenced in this Parliament. The promotion of apprenticeships may increase the potential gains for a training provider claiming to offer an apprenticeship or apprenticeship related training that is not of the same quality as a Government apprenticeship.

Government is concerned that low-quality courses that do not meet the requirements of a statutory apprenticeship could be described as apprenticeships. This could dilute the apprenticeship brand and have a negative impact on growth of statutory apprenticeship schemes.

**What are the policy objectives and the intended effects?**

The measure will strengthen and protect the reputation of the apprenticeship brand for training providers, employers and apprentices. It will create an offence for a person, in the course of business, to provide or offer a course or training as an apprenticeship if it is not a statutory apprenticeship. Employers cannot commit the offence in relation to their employees. The offence is summary only and the maximum penalty is a fine. The measure has a primarily preventative goal. There is little evidence to suggest that the existing scale of misuse of the term 'apprenticeship' is widespread and therefore we expect the overall impact on business to be negligible.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

Other options were considered by Government as an alternative to legislating, but were considered as not being effective enough in addressing the risk of poor-quality schemes being misrepresented as high-quality apprenticeships without this proposed supporting legislation. It was felt that the options would not provide an effective enough deterrent and do not represent strong value for money. These alternative options included:

- Trademarking of approved English apprenticeships, apprenticeship standards and associated logos.
- Introducing a complaints hotline for employers and apprentices to report providers that are advertising poor quality apprenticeships.
- Pursuing proactive communications to protect the apprenticeship brand and promote Government's commitment to quality within Government funded apprenticeships.

**Will the policy be reviewed? It will be reviewed. If applicable, set review date:** 06/2018

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			Traded:		Non-traded:

**I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.**

**Signed by the responsible Minister:**



**Date:** 14/10/2015

# Summary: Analysis & Evidence

## Policy Option 1

Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£0.11	High: -£0.01	Best Estimate: -£0.04

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.0	-	0.0
High	0.1	-	0.1
Best Estimate	0.0		0.0

#### Description and scale of key monetised costs by 'main affected groups'

Cost to businesses of complying with the measure.  
Familiarisation costs to compliant businesses.

#### Other key non-monetised costs by 'main affected groups'

Enforcement costs

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

#### Description and scale of key monetised benefits by 'main affected groups'

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#### Other key non-monetised benefits by 'main affected groups'

Reputational benefits allowing providers to attract more custom.  
Reputational benefits to learners from obtaining an apprenticeship qualification.

Key assumptions/sensitivities/risks

Volume of businesses affected is unknown but unlikely to be significant

Discount rate (%)

3.5

### BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 0.0	Net: 0.0	Yes	IN

## **Rationale for intervention and intended effects**

Delivering three million new apprenticeship starts during this Parliament is a key priority for the Government. To achieve this all parties, including prospective apprentices, parents and employers, need to have confidence that an apprenticeship is a high quality choice consisting of employment with training.

BIS's published robust estimates show strong returns for investing every pound in apprenticeships. The Net Present Value per pound of Government Funding is £26 and £28 for Level 2 and Level 3 apprenticeships respectively. Thus the apprenticeship brand has high value and it is worth protecting the brand.

The Government has already defined the key characteristics of an approved English apprenticeship to ensure that these deliver a high quality outcome for young people – real employment, with high quality on and off the job training, lasting over 12 months.

As the apprenticeship brand grows, and there is an increasing focus on, and status of, apprenticeships, Government is concerned that there may be a temptation for the term 'apprenticeship' to be applied to lower-quality courses that do not meet the high standards of a Government funded apprenticeship in an effort to make them more attractive to employers or learners.

There is a risk that this could dilute the apprenticeship brand and result in negative experiences for persons who undertake other poor-quality schemes. This would have an adverse impact on delivering apprenticeship growth and the economic and social benefits such growth will bring. At present there is no protection of the term 'apprenticeship' that could allow Government to take action in these instances.

The Government wants apprenticeships to be viewed with the same high regard as University education. The Government notes the term 'degree' is protected in law and wants to do something similar for 'apprenticeships'. The unrecognised degree legislation was designed to prevent persons from offering a degree when they were not entitled to do this. This has been successful in ensuring that UK based operations with a physical presence are closed down and there have been a number of prosecutions over the years. For example, between 2003 and 2008 there were successful enforcement cases against 18 offending bodies with closure of 10 and prosecution of a further 3 (PQ reference - 177632 from 9 January 2008 and was asked by David Drew IN 2008).

We have therefore developed proposals to address this risk and prevent the misuse of the term. The measure, which Government intends to introduce as part of the Enterprise Bill this Autumn, creates an offence for a person, in the course of business, to provide or offer a course or training as an apprenticeship if it is not a statutory apprenticeship. Employers cannot commit the offence in relation to their employees.

The measure will strengthen and protect the reputation of the apprenticeship brand for training providers, employers and apprentices.

The clause protects the reputation of training providers, employers who offer statutory apprenticeships and apprentices who join those apprenticeships, by maintaining their standards and ensuring that statutory apprenticeships are not confused with lower quality training. It also ensures a "level playing field" and fairness in the market to the benefit of training providers, employers and individuals. Preventing unauthorised use of the apprenticeships name will give employers more confidence that they are investing in high quality apprenticeships.

## Other policy options considered (as an alternative to regulation)

Other options were considered by Government as an alternative to legislating, but were considered as not being effective enough in addressing the risk of poor-quality schemes being misrepresented as high-quality apprenticeships without this proposed supporting legislation. It was felt that the options below would not provide an effective enough deterrent and do not represent strong value for money. These alternative options included:

- Trademarking of approved English apprenticeships, apprenticeship standards and associated logos.
- Introducing a complaints hotline for employers and apprentices to report providers that are advertising poor quality apprenticeships.
- Pursuing proactive communications to protect the apprenticeship brand and promote Government's commitment to quality within Government funded apprenticeships.

In addition we have also considered the option put forward by the Regulatory Policy Committee to consider developing a process to determine which training providers who meet the high standards for government funding, but do not receive any, could be permitted to use the term 'apprenticeship'. This could be done through a Government or self-certification scheme.

The Government does not feel that this is a viable option because it would be difficult to determine who these providers are as the SFA only holds data on those providers who receive Government funding and are Ofsted inspected. There would be costs associated with setting up a process to do this in addition to the ongoing costs of monitoring and enforcement.

There is still scope with this option for the employers, apprentice and parents to be misled and the brand devalued. It would not provide any guarantee for the apprentice as to whether the outcome was comparable to a Government apprenticeship. Whilst they could receive excellent training it would not necessarily match the requirements of a Government apprenticeship and it wouldn't be appropriate for it to be termed 'apprenticeship' training. There would also be no real deterrent for those who were offering poor quality training badged as an 'apprenticeship' which is the overall aim of this measure.

## Cost Benefit Analysis

This analysis has been conducted in accordance with the proportionality principle set out in the IA guidance and following RPC confirmation that the measure qualifies as a low-cost regulation. Benefits are largely intangible and have not been quantified. Therefore the net present value estimates are negative – resulting from the quantified transition costs to businesses (and enforcement costs – not quantified).

### **Cost to business**

The measure has a primarily preventative goal. There is little evidence to suggest that the existing scale of misuse of the term 'apprenticeship' is widespread and therefore we expect the overall impact on business to be minimal. The public consultation confirmed this with very few respondents being able to give specific examples beyond the anecdotal.

In 2013/14, 780 Government funded providers delivered apprenticeships (including 450 private training providers) (*Skills Funding Agency management information*). Data is not collected on the number of providers who would be deemed 'non-compliant' with this new measure. However, given the scarcity of anecdotal evidence on the extent of misuse of the term 'apprenticeship', we believe that the number of 'non-compliant' providers is likely to be considerably smaller than the number of Government funded providers described above. For the purposes of illustrating the potential scale of costs in this final stage IA, we have modelled a lower bound scenario in which 100 'non-compliant' businesses are affected by the measure, and an upper bound scenario in which 1,000 'non-compliant' businesses are affected.

In order to become 'compliant', we assume that between 1 and 3 hours of one member of staff's time would be required to replace or remove the term 'apprenticeship' from company material. The consultation responses revealed nothing to suggest the impact could be more onerous than this. In the lower bound scenario we assume that the compliance work would be carried out by an administrative level employee at an hourly wage of £10.17 (*Annual Survey of Hours and Earnings 2013*). In the upper bound, we assume that it would be carried out by a manager or director – more likely in a smaller business – with an hourly wage of £20.61 (*ibid*). Combining these three assumptions results in an estimated direct compliance cost to business of **£0.00m to £0.06m** with a central (based on the midpoints of each assumption) estimate of **£0.02m**.

The measure may also impose indirect costs on businesses. Training providers are likely to be using the apprenticeships brand as a marketing tool to encourage additional custom. Such providers are likely to lose the custom, and associated profits, arising as a direct result of that marketing activity when the measure is implemented. This impact has been included in EANCB calculations. However the impact in both the lower bound (100 businesses) and the upper bound (1,000 businesses) is negligible for the following reasons. Firstly, given the low estimated costs of complying with the measure, it is likely that the majority of associated profit could be retained by businesses following compliance, e.g. by adopting a different, legitimate marketing strategy. Secondly, the majority of business that is lost by non-compliant providers is likely to be transferred to other providers – the measure is not likely to affect employers' or learners' demand for training, only their choice of which provider to purchase it from. No consultation responses revealed concern for a significant impact on profits therefore we believe it is reasonable to assume **no additional costs** to business from lost profit.

The measure is also likely to impose minor familiarisation costs on compliant businesses. For simplicity we assume the same time requirements and hourly wages for familiarisation as for 'compliance', above. This is likely to represent a conservative approach since familiarisation is likely to be less onerous. We apply these assumptions to the 780 businesses who would have to familiarise themselves with the legislation. This results in a cost to business of **£0.01m to £0.05m** with a central estimate of **£0.02m**.

**Total business costs are therefore estimated to be £0.01m to £0.11m with a central estimate of £0.04m.** These are all one-off transition costs. There are no ongoing costs to business. The central estimate translates into an EANCB of £0.00m.

### **Other costs**

There are likely to be legal enforcement costs to accompany the new measure. Costs to MoJ are likely to be minimal given the low volumes of offenders predicted. However general enforcement (monitoring, spot checks, etc.) will be necessary to support the measure and need to be considered, although we have not quantified these.

### **Benefits**

The proposed benefits of the measure are to a large extent intangible. Reputational benefits associated with the apprenticeships 'brand' could improve compliant businesses' ability to attract additional custom. Learners could also benefit if the apprenticeship qualification carries more weight with employers due to a more secure reputation. This could be observed through higher wage returns. However such effects are likely to be relatively minor and difficult to isolate from other factors in any evaluation.

Beyond this, the aim of the measure is to protect the pre-existing benefits of the apprenticeships programme, i.e. as demonstrated by the high net present value estimates described above.

Benefits are likely to increase over time as the apprenticeships programme expands towards the 3 million starts target, with greater numbers of employers and learners engaged and potentially more opportunity to exploit the brand.