



# LPC - Minimum Wage Apprentice Exemptions Review

TUC Evidence

## Summary

The TUC welcomes the LPC's review of the existing exemption of apprentices from the national minimum wage (NMW). Currently, apprentices under the age of 19 and older workers in the first year of an Apprenticeship are exempt from the NMW. In England only, there is a minimum floor of £80 per week, enforced through contractual arrangements between the Learning and Skills Council and providers.

The traditional union view of the apprentice wage bargain has been that it is acceptable to exchange lower pay for apprentices in the short-term for valuable training that leads to a secure job and higher pay later. This was the rationale upon which the LPC originally decided to exempt apprentices from the NMW. There has also been a view that apprentices in their first year could be less productive than other workers. However the new face of Apprenticeships is often very different to the traditional model and these changes need to be reflected in the pay and protections available to all apprentices. Many apprenticeships are now very short, and three in five apprentices are aged 16-18. Therefore the TUC estimates around 70 per cent of apprentices are exempt from the NMW.

The submission outlines the TUC view that these exemptions are unfair, as there is a lack of enforcement and a minority of employers use the exemptions as a loophole to pay low wages. The exemptions also keep some apprentice pay too low and impact adversely on completions. In addition, the relationship between low pay and gender is highlighted, as Apprenticeships suffer from one of the biggest gender pay gaps in the economy.

The submission demonstrates the link between pay, quality and completion rates, including the need for apprentices to be able to afford to complete their programme. Removing the exemption and paying a decent rate will raise quality and completions and help narrow the gender pay gap in Apprenticeships. The submission sets out the following recommendations:

***Recommendation 1:***

***The LPC should recommend that the current apprentice exemption from the National Minimum Wage (NMW) Act be removed***

***Recommendation 2:***

***If the LPC both agrees the principle of including apprentices under the NMW Act protection and decides to press ahead with recommending a rate, the TUC argues that there should be an apprentice rate which is set to reflect the NMW initially with a modest discount to recognise the training element of the programme;***

Examples of what the rate might look like are also included in the submission. The TUC is mindful of the Government's objective that there should be 500,000 quality Apprenticeships on offer by 2020. The TUC is also aware that the sectors that young people's jobs and training opportunities are concentrated can be particularly sensitive to the wider economic climate. The TUC believes that the rate should be kept under constant review with a view to maximising the pay of apprentices without damaging Apprenticeship opportunities.

## 1. Introduction

The Government has asked the LPC to "Review the current apprentice exemptions and advise whether they are still appropriate. The Commission is asked to bear in mind the Government's ambition to increase the number of apprentices to 500,000 and the need to ensure that sufficient employed places are available when the education participation age is raised in 2013." The TUC welcomes this review.

There is now a widespread view amongst trade union members that the current exemptions are unfair, as they keep some apprentice pay too low and impact adversely on completions, and also because a minority of employers use the exemptions as a loophole to pay low wages. Our traditional view of the apprentice wage bargain has been that it is acceptable to exchange lower pay for apprentices in the short-term for valuable training that leads to higher pay in the medium and longer term. This was the rationale upon which the LPC originally decided to exempt apprentices from the NMW. However new face of Apprenticeships is often very different to the traditional model and these changes need to be reflected in the pay and protections available to all apprentices.

Our recommendations seek to deliver a fair deal for apprentices that will also have a beneficial effect on completion rates whilst encouraging more employers to provide decent apprenticeship opportunities.

## 2. The current apprentice regime

At the moment apprentices under the age of 19 and older workers in the first year of apprenticeship are exempt from the minimum wage.

Apprenticeships are now competency based and as a result, some are now very short. For example, many retail and customer service apprenticeships run for less than a year. Table 1 below shows the number of new Apprenticeships in the eleven most popular frameworks in England during 2006/07, and the average length of these Apprenticeships in weeks. The average length of stay was under a year (52 weeks) in four of the eleven largest frameworks, and under 18 months in all but two. Sectors where the average length of stay is longest, electrotechnical and engineering, are traditional sectors where pay tends to be higher and where men predominate. The table also shows the average length of stay dropped between 2004/05 and 2006/07 in all but one Apprenticeship framework, hospitality and catering.

Table 1: Apprenticeship starts 2006/07 in most popular frameworks and average length of stay, England

Apprenticeship Framework	Starts 06/07 (numbers)	Average length of stay (weeks) 2006/07	Average length of stay (weeks) 2004/05
Construction	19,651	72	77
Hairdressing	16,568	70	73
Business Administration	15,280	49	59
Customer Service	15,258	43	49
Hospitality and Catering	13,422	51	47
Children's Care Learning and Development	13,025	62	64
Engineering	11,417	110	117
Vehicle Maintenance and Repair	8,412	54	95
Retail	8,167	42	47
Health and social care	7,383	58	58
Electrotechnical	6,247	136	145

Source: WBL Leavers, Success Rates and Average Length of Stay in weeks by Sector Framework, 2006/07 and 2004/05 ([www.apprenticeships.org.uk](http://www.apprenticeships.org.uk))

Further, the majority of apprentices are aged 16-18, and would therefore be exempt from the National Minimum Wage. The latest figures (table below) show that 60.1 per cent of apprentices in 2006/7 were aged between 16 and 18.

Table 2: Apprentices – average number in learning 2006/2007

	16-18 years old	19 and above	<i>All apprentices</i>
Female advanced apprentices	9,444	21,043	30,487
Male advanced apprentices	39,823	25,162	64,985
Female apprentices	38,021	21,848	59,869
Male apprentices	52,742	25,026	77,768
<i>All apprentices</i>	140,030	93,079	233,109

Source: Learning and Skills Council - figs for learning period 12.

[http://www.apprenticeships.org.uk/NR/rdonlyres/8801D81C-5011-4CB4-92A3-24967F3A4710/0/Report4\\_CumulativeAIL\\_Aug06July07.pdf](http://www.apprenticeships.org.uk/NR/rdonlyres/8801D81C-5011-4CB4-92A3-24967F3A4710/0/Report4_CumulativeAIL_Aug06July07.pdf)

Given that Apprenticeships are mostly taken up by younger workers and the average length of an Apprenticeship has fallen, the TUC estimates that the regulations currently exempt about 70 per cent of all apprentices from the minimum wage.

The current direction of Apprenticeship policy, including the planned expansion in the number of Apprenticeships for both young people and adults, including incorporating more employer training into formal Apprenticeships, means that if the exemptions remain, more people in the workforce will be without protection from the minimum wage.

The framework for apprentice pay varies between the four countries of the UK. In England, apprentices are paid a minimum of £80 a week, which is enforced through contractual arrangements of the funding authorities. Non-waged apprentices in Scotland are entitled to £55, Wales £50 and Northern Ireland £40 per week. For waged apprentices, the actual amount paid is determined at the local level for 16-18 year olds and older apprentices in their first year. The TUC is currently campaigning to update all these rates to £110 per week, which would be broadly comparable to the National Minimum Wage youth rate.

The TUC welcomed the introduction of the minimum guarantee in England, however, problems with the minimum funding requirement in practice include:

- There is no effective enforcement mechanism. For example, the 2007 Department for Innovation, Universities and Skills (DIUS) Apprenticeships survey in England demonstrated 5% of apprentices receive less than the £80 and that 12% of apprentices indicated they receive no pay at all;
- There is no relationship between payment and hours worked. The average apprentice works for 37 hours per week but a small minority of apprentices work more than 48 hours per week<sup>1</sup>.

The Leitch Review of Skills argued that the number of Apprenticeship places should be doubled to 500,000 by 2020. The Government has indicated its support for the recommendations of the Leitch Review, and in England has adopted a target of 400,000 Apprenticeships by 2020, although it is as yet unclear exactly how this target will be measured.

One concern might be that making employers pay more would reduce the number of Apprenticeship places available. A strong counter argument would be that decent minimum pay rates make it more likely that apprentices will complete their training. This in turn will have a positive impact on the reputation of the brand, and encourage more employers to participate. The TUC and Federation of Small Businesses agree on this point, articulated in a joint press release in February 2008 (Appendix 1).

The number of Apprenticeship starts fell slightly after the introduction of the £80 minimum payments in England; however there was also a fall in the year prior to

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<sup>1</sup> Department for Innovation, Universities and Skills (2008), Apprenticeship Pay: 2007 Survey of Earnings by Sector, BMRB Social Research

the introduction of the £80 so this is not necessarily a direct effect. Indeed, Apprenticeships numbers have been increasing in Scotland, but falling in Northern Ireland, which suggests that other factors influence the offer of Apprenticeship places. Apprenticeship numbers also fell slightly in Wales between 2004/05 and 2005/06<sup>2</sup>. Importantly, completion rates in England have risen significantly since the £80 payment was introduced. Furthermore, according to DIUS Apprenticeships surveys, the gender pay gap in Apprenticeships dropped from 26% to 21% between 2005 and 2007.

The TUC has been arguing for policy changes that would increase the number of Apprenticeship places available, including through the use of procurement policy and by setting targets in Sector Skills Councils. For example, the Government's key role as purchaser in construction could be used to have a significant impact on the provision of Apprenticeship places in the sector.

Based on the findings of the 2007 DIUS survey, average net pay for a 37 hour week, the equivalent would be £3.78 for 16-18 year olds, £4.78 for 19-20 year olds and £5.38 for apprentices aged 21+. This is net pay so would on the one hand be an underestimate, however three quarters of apprentices in the survey had been in their job for over a year, which would inflate the figures somewhat.

### 3. The current economic situation

The latter half of 2008 and the early part of 2009 is likely to be a difficult time for the UK economy. The high price of energy has been bolstering inflation, there has been a "credit crunch", and house prices have started to fall.

The average economic predictions suggest that next year there will be slower economic growth, zero jobs growth and increase of 180,000 in claimant unemployment (see table 1 below).

However, forecasters also believe that economic growth will improve in 2010. Indeed, the Bank of England May 2008 quarterly report suggest that the bottom of the current slowdown will be reached by the end of 2008.

In its current inquiry the LPC will be considering recommendations for apprentices to apply from October 2009 to September 2010 and possibly also to September 2011. Therefore, these recommendations are likely to apply to the period of recovery rather than the current slowdown.

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<sup>2</sup> Unpublished data, Welsh Assembly Government

Table 3: Economic indicators 2007-2010

	2007	2008 latest figures	Whole year 2008 forecast	2009 forecast	2010 forecast
Working age activity rate	74.4%	74.9%	na	na	na
Employment growth	+0.6% (+199,000 jobs)	+0.6%	+0.5% (+ 157,000 jobs)	0.0	n/a
Claimant unemployment (millions)	0.877	0.840	0.900	1.020	0.990
Average Earnings Index	3.8	3.8	4.0	4.0	n/a
GDP growth	2.5	1.6	1.7	1.4	2.3
CPI Inflation	2.3	3.8	3.6	2.1	2.2
RPI-x inflation	3.2	4.8	4.2	2.5	2.6

Sources: ONS website for 2007 and latest 2008 statistics. HMT roundup of independent economic forecasts for the UK Economy (July 2008) for 2008/2009 median forecasts made in the last 3 months. The latest forecasts for 2010 were published in HMT's May 2008 roundup.

Employment growth has held up well so far. The UK Statistics Authority reports that there were 209,000 more jobs in winter 2008 than one year earlier. The official statistics also report that the number of employee jobs in sectors with a high concentration of low pay has increased by 72,000 during the past year (see table 2 below). The number of employee jobs in the low paying sectors as a whole increased by 1.0 per cent last year, which compares favourably to the 0.4 per cent increase in employee jobs across the whole economy. It is certainly clear that the minimum wage has not hindered job creation.

Table 4: GB Employees in Low Paying Industries (thousands)

Industry	May 2007	May 2008	Change
Agriculture, hunting and forestry*	248	237	-11
Textile, clothing and leather goods manufacture	107	101	-6
Retail trade (not motor vehicle)	2,917	2,968	+51
Hotels & restaurants	1,782	1,802	+20
Social work activities	1,144	1,163	+19
Investigation and security services	167	168	+1
Industrial cleaning	446	453	+7
Hairdressing & other beauty treatment	129	120	-9
Total employee jobs	6,940	7,012	+72

Source: UK Statistics Authority GB Employer Jobs Survey

Notes: Employees only (excludes self employed). Total of main jobs and second jobs combined. Agriculture data for December to December is the latest available figure for the sector. Results of less than 10,000 (italicised) are not statistically robust and should not be cited.

The labour market position of 16 and 17 year olds still gives grounds for concern. However, it has improved slightly during the last year, albeit from a low base. Table 3 below shows that the current ILO unemployment rate for young workers is currently 25.3%. This has decreased by 0.8% over the past year.

Table 5: ILO unemployment by age

	Spring 2007	Spring 2008	Change
16-17 year olds	26.1%	25.3%	-0.8%
18-24 year olds	12.5%	12.1%	-0.4%
All aged 16-59/64	5.6%	5.4%	-0.2%

Source: ONS website



## 4. Quality, pay and exploitation in Apprenticeships

In 1998, the Low Pay Commission recommended that apprentices be exempt from the National Minimum Wage on the grounds that ‘Apprenticeships provide young people with quality training and this training should be supported and encouraged. Hence all ... those on formal Apprenticeships should be exempt from the National Minimum Wage’ (LPC, 1998:65). In coming to this decision, the LPC had found that:

It seems clear that by the second or third year of an apprenticeship, wages are often well above the level we are recommending for the National Minimum Wage. But for the first year or phase they are likely to be low, reflecting the extent to which the apprentice is in training rather than productive work (LPC, 1998: 71).

It is important to take into account the grounds on which this original decision was made, in order to make a decision about the future of pay in Apprenticeships. As noted earlier, most Apprenticeships today are of a much shorter nature, many less than a year and most less than 18 months. Certainly in these cases the productivity of apprentices will be expected to reach a reasonable level much earlier than in the more traditional models.

The traditional trade union view of the apprentice wage bargain has also been that it is acceptable to exchange lower pay for apprentices in the short-term for valuable training that leads to higher pay in the medium and longer term. For the apprenticeship wage bargain to fairly apply, all of these factors must be in place. Otherwise apprentices are at risk of being cheap labour for employers, along with the risk of ‘bogus’ Apprenticeships that don’t offer quality training and support. Under the current system, while the majority of Apprenticeships offer a good programme, a minority of Apprenticeships are exploitative with both low pay but also little or no training. In these cases the traditional apprentice wage bargain is not being fairly implemented and the TUC believes that bringing Apprenticeships under the NMW regime would be a move towards addressing this issue.

### **Exploitation in Apprenticeships**

Both quantitative and case study evidence demonstrates that not all apprentices receive a good deal and that some are subject to exploitative practices. This includes low pay and not meeting the required minima in England, excessive hours and using the concept of Apprenticeship as a mechanism to keep pay low.

Despite the introduction of the £80 minimum floor in England in August 2005, the 2007 Apprenticeship pay survey for the Department for Innovation, Universities and Skills (DIUS), shows that there are still apprentices receiving below the £80 threshold in England (not including those who indicated they received no pay). The five per cent of apprentices receiving less than £80 a week were most likely to be in sectors dominated by women. The survey found that 8 per cent of women apprentices were being paid less than £80 per week, compared with two per cent of male apprentices. In both the childcare and hairdressing sectors, the bottom 10 per cent of earners received less than £80 per week. This

suggests that while the introduction of the £80 minimum in England has had a positive impact on pay, there are still some sectors where even this minimum is not being reached. Further, the long hours worked by some apprentices means that the hourly equivalent becomes very low, and the TUC is aware of apprentices in England receiving as little as £1.52 an hour.

In Scotland, Wales and Northern Ireland, there is no minimum floor however as a guide, unwaged apprentices receive between £40 and £55 per week. This means that employers can pay whatever they like until apprentices turn 19 and have been in employment for a year. Pay data is not available as the DIUS Apprenticeship surveys relate to England only. However the different pay rates are confusing, and it would add clarity for both apprentices and employers if Apprenticeships were brought within the NMW.

Sian did a hairdressing apprenticeship in Wales, and gave it up because of low pay which she felt was unfair given the amount of work she was doing. She calculated that she could earn more by working in a chip shop and going to night college.

"I'd work from 9-6.00 pm sometimes and I'd have to clean the shop everyday, do stock checks, make sure everything was always clean, wash people's hair, make the tea, wash the dishes, I used to do quite a lot for £60.00 Some people pay £60.00 for one haircut!"

Source: YWCA 2007

Both the 2005 and 2007 apprentice pay surveys demonstrated that some apprentices reported receiving no pay or allowances. In 2005, 10 per cent of apprentices report this, but in 2007, this figure rose to 12 per cent. On both occasions the researchers indicated surprise at this finding, and suggested this could result from the self reporting nature of the survey. This could be the case, or it could also be extreme exploitation.

Of further concern are distinct patterns of reporting no pay in certain sectors. In 2007, the sectors with the highest proportion of apprentices reporting receiving no pay or allowance were retail (41 per cent), health and social care (32 per cent) and customer service (30 per cent). By contrast, the sectors with the lowest proportion of apprentices receiving no pay or allowance were electrotechnical (0.5 per cent), construction (1 per cent) and engineering manufacturing (1 per cent). These findings are of particular concern, and the TUC believes the LPC should consider this issue further.

The TUC is also aware of examples where employers have used the concept of Apprenticeship as a mechanism to pay below the national minimum wage. In particular, this has been where employers have tried to continue paying the £80 minimum in England to apprentices after they have completed their training.

Examples include:

- an employer in the retail industry insisted to a young person who had become 18 and completed an NVQ qualification that she should do another NVQ simply so the apprentice rate could continue to be paid;

- an electrical apprentice with a small local firm who was dismissed when he completed his NVQ; and
- another employer insisted on continuing to pay the apprentice rate on the basis that he felt the young person wasn't worth more and would continue to be trained by the employer and refused to let the apprentice continue to a higher level.

Bringing Apprenticeships within the national minimum wage enforcement regime, with additional resourcing, would be a key mechanism in helping to address such problems.

### **Quality in Apprenticeships - Completion rates and pay**

Completion rates are a good proxy for quality in Apprenticeships, on the basis that apprentices will stay on to complete a good quality programme, and be able to afford to do so. And if employers perceive Apprenticeships as a high quality programme, they are more likely to offer places. However low completion rates in Apprenticeships have been a major concern.

Low pay was identified by the Apprenticeships Taskforce as one of the significant reasons for non-completion of Apprenticeships<sup>3</sup>. This is also supported by research from the National Foundation for Educational Research, which found that 27 per cent of trainees who had dropped out of their training stated 'not getting enough money' as the main reason.<sup>4</sup> A study for the Scottish Executive into completion rates also identified that 'the wages and conditions provided by some employers contributed to low morale and to contribute to high levels of turnover'<sup>5</sup>.

Laura trained as an apprentice for six months and received £78 for a 40 hour week. She really enjoyed the programme and was looking forward to eventually becoming a fully qualified travel consultant. But after thrown out of her mother's house she was unable to complete her programme. Once she had paid for her hostel and travel, she barely had any money left. "I didn't even have that long left to complete it really but I just couldn't do it."

Source: YWCA, 2007

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<sup>3</sup> The Apprenticeships Taskforce was an employer led group established by the then Chancellor Gordon Brown to advise on Apprenticeship policy and advocate the Apprenticeship programme

<sup>4</sup> Spielhofer, T., Nelson, J., O'Donnell, L. and Sims, D. 'The Role of Training Allowances in Incentivising the Behaviour of Young People and Employers' (2006) available at <http://www.dfes.gov.uk/research/data/uploadfiles/RR756.pdf>

<sup>5</sup> Gallacher, J, Whittaker, S, Crossan, B & Mills, V (2004), Modern Apprenticeships: Improving Completion Rates, Scottish Executive Social Research Series 9/2004, available at <http://www.scotland.gov.uk/Resource/Doc/47171/0028784.pdf>

The issue of completion rates in Apprenticeships has received a lot of attention in recent years, and a range of measures have been implemented in an effort to improve completion rates. As shown in table 6 below, completion rates in England more than doubled in a short period of time, and the most recent figures show that just under two thirds of apprentices finished their course. Initiatives have included changing arrangements for how providers are funded in England. Importantly, the increase in completions has also occurred alongside the introduction of the £80 minimum in England.

Completion rates have improved recently in Scotland, from 48 per cent in 2002/03 to 60 per cent in 2006, however the improvement has not been as rapid as in England where the minimum floor has increased the wages particularly for apprentices in the lowest paying sectors. Completion rates in Wales improved slightly between 2004/05 and 2005/06, from 18 to 25.5 per cent<sup>6</sup>.

Table 6 – Completion rates, England 2002/03 – 2006/07

Year	Apprenticeship	Advanced Apprenticeship	Total
2002/03	23	32	28
2003/04	27	28	28
2004/05	38	40	40
2005/06	48	52	49.5
2006/07	62.5	63.5	63

Source: [www.apprenticeships.org.uk](http://www.apprenticeships.org.uk)

The table below shows how the change in completion rates in England by sector in the eleven most popular frameworks. In 2004/05, just prior to the introduction of the £80 minimum, only engineering had more than half of apprentices finishing their programme, at 51 per cent. In three areas, childcare, health and social care and retail only around one in five apprentices completed their programme in 2004/05. By 2006/07, all frameworks except vehicle maintenance and repair had a completion rate of over 50 per cent.

<sup>6</sup> Unpublished data, Welsh Assembly Government

Table 7: Change in Apprenticeship completion rates in England, 2004/05 – 2006/07

Apprenticeship	Completion rate 2006/07 (%)	Completion rate 2004/05 (%)
Construction	63	35
Hairdressing	63	28
Business Administration	71	44
Customer Service	62	32
Hospitality and Catering	53	23
Children's Care Learning and Development (childcare)	59	21
Engineering	67	52
Vehicle Maintenance and Repair	47	43
Retail	55	21
Electrotechnical	61	49
Health and social care	55	22

Source: WBL Leavers, Success Rates and Average Length of Stay in weeks by Sector Framework, 2006/07 ([www.apprenticeships.org.uk](http://www.apprenticeships.org.uk)), 2004/05

Table 8 below shows the rate of increase in Apprenticeship completions and compares this with pay across sectors. There is a pattern evident in relation to the rate of improvement in completion rates and pay. The rate of improvement in Apprenticeship completion rates varies significantly between sectors, with the biggest improvements occurring in childcare (181 per cent), retail (162 per cent) and health and social care (150 per cent). Sectors with lower rates of improvement were vehicle repair and maintenance (9 per cent), electrotechnical (24 per cent) and engineering (29 per cent). Of the five sectors with a rate of improvement of over 100 per cent, four were in the lowest paying sectors in both 2005 and 2007. And the two highest paying sectors, electrotechnical and engineering had a much lower rate of improvement, starting from a higher base.

Table 8: Rate of improvement in apprenticeship completions and pay

	Rate of change in completions (%)	Pay 2007 (£ )	Pay 2005 (£)	Pay rank 2005	Pay rank 2007
Children's Care Learning & Development (childcare)	181	142	95	10	10
Retail	162	168	123	9	7
Health and Social Care	150	157	130	7	9
Hospitality and Catering	130	187	158	4	3
Hairdressing	125	109	90	11	11
Customer Service	94	186	161	3	4
Construction	80	174	141	5	5
Business Administration	61	168	126	8	8
Engineering	29	189	167	2	2
Electrotechnical	24	210	183	1	1
Vehicle Maintenance & Repair	9	170	136	6	6

Source: WBL Leavers, Success Rates and Average Length of Stay in weeks by Sector Framework 2006/07, and DIUS Pay Survey 2007

### Quality and training

Access to training is another proxy for quality, and there are significant differences in the amount of both on and off the job training offered between different sectors as demonstrated by table 9 below. The 2007 pay survey demonstrates that the more traditional Apprenticeship sectors – electrotechnical, motor industry, construction and engineering, all include significantly more hours of both on and off the job training. These are the sectors that are both more male dominated, and better paid.

Sectors such as retail, customer service and hospitality stand out as having relatively little training, particularly off the job. These are also among the lower paying sectors. The lowest paying sectors of hairdressing, childcare and health and social care have slightly higher levels of on and off the job training but still much less than the highest paying sectors.

Table 9: Distribution of apprentice time

	Hours spent working		Hours on the job training		Hours off the job training	
	2007	2005	2007	2005	2007	2005
Electrotechnical	25	14	14	21	4	8
Motor Industry	27	13	10	18	5	9
Construction	22	11	16	21	4	8
Engineering	20	15	15	16	6	10
Hospitality	31	29	8	8	2	2
Hairdressing	30	35	7	9	3	5
Childcare	31	25	7	9	3	5
Customer Service	34	30	3	4	1	1
Business Administration	32	28	3	5	2	3
Health and social care	29	22	5	8	3	3
Retail	31	28	4	5	1	1

Source: DIUS (2008), Apprenticeship Pay: 2007 Survey of Earnings by Sector

Further, the apprentice pay surveys in both 2005 and 2007 identify that many apprentices work unpaid overtime. In 2007, around six in ten apprentices worked overtime (62 per cent), compared with 57 per cent in 2005. Of those who worked overtime, 83 per cent indicated they receive payment for it, an increase from 71 per cent in 2005. Apprenticeships where women predominate tend to work more unpaid overtime. In 2007, the sectors with the highest proportion of apprentices doing unpaid overtime were hairdressing (65 per cent), business administration (35 per cent), hospitality (33 per cent) and childcare (27 per cent). All of these non-traditional Apprenticeships have more women than men, particularly hairdressing and childcare.

## 5. Gender Equality

High quality training should increase the chance of receiving a decent pay packet. Opening up Apprenticeships from traditional craft-based programmes to a wider range of occupations has provided more opportunities for women to ‘earn and learn’ and have their skills and achievements recognised through an Apprenticeship. However as discussed below, there are distinctly gendered patterns in Apprenticeships, and women are more likely to miss out on high quality programmes and have poor pay and conditions.

Most Apprenticeships are very strictly divided on stereotypical gender lines. Indeed, occupational segregation is more pronounced in Apprenticeships than in the labour market as whole. The Equal Opportunities Commissions’ 2004 research found that the gender pay gap was wider for apprentices than for employees in general. The EOC found that ‘Minimal regulation means

differentiated pay rates and, despite the fact that entry qualifications and end qualifications are broadly similar, this results in the male dominated sectors being paid more' (EOC, 2004). As a result, the EOC recommended that the national minimum wage be extended to apprentices.

The 2005 and 2007 DIUS surveys confirm that the problem of the gender pay gap in Apprenticeships persists. The 2005 pay survey identified a 26 per cent gender pay gap in Apprenticeships, compared to 17.2 per cent across the labour market. The 2007 Apprenticeships pay survey suggested the gender pay gap had reduced to 21 per cent, although caution needs to be exercised in comparing the two surveys<sup>7</sup>. Between the 2005 and 2007 surveys, both male and female average net wages increased however the rate of increase was faster for women (DIUS, 2008).

Much of the gender pay gap in Apprenticeships has been attributed to the occupational segregation apparent across the different industry sectors. For example, in 2006/07, 97.1 per cent of childcare apprentices were women, and 91.7 per cent of people starting hairdressing Apprenticeships were women. This can be contrasted with the 2.5 per cent women engineering apprentices (TUC, 2008). The Apprenticeship pay surveys shows that in the highest paying sector, electrotechnical, only 1 per cent of apprentices are women.

'Apprenticeships are not very good pay. The training is not always that good to be honest; because your college will just put you into a salon and it's up to the salon trainers if you haven't got an actual salon trainer then sometimes you find yourself having to push yourself and find yourself models and book yourself in.

My boyfriend's a plumber and he was on much more money than me when I was being an apprentice. He's still on like double what I was on. He was on £150 a week when he first started, and now he's just finished which is the same level [qualification] as me ... and he brings home about £300 a week. So that's a lot more money, and once I've got my NVQ Level 3, I will be qualified higher than him but he will be on more money. It's always been well-known hairdressers and beauticians are underpaid and overworked.

For the wages that I'm on I could go and work somewhere 9.00 am – 5.00 pm and I'd get paid more money. I think that's why a lot of young girls leave hairdressing. It's because of the pay and the hours'.

**Anna 20 Hairdressing**

Source: YWCA, 2008

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<sup>7</sup> The 2007 Apprenticeships report notes the need for caution in comparing the two surveys given differences in the data set. In particular, 84 per cent of apprentices in the 2007 survey had been in their Apprenticeship for more than one year, compared to only 15 per cent in 2005



Discussion of this issue has largely focused on the nature of the particular sector and the choices made by young women. There is also the issue that the work that women do is undervalued, which the TUC believes should be given greater attention. The 2007 Apprenticeship survey however also demonstrates that there is some difference within sectors. This was done by analysing pay in sectors where the gender balance in Apprenticeships is comparatively even.

Table 10: Pay by gender and sector, 2007

Average weekly pay by gender in hospitality, retail, customer service and business administration				
Sector	2007 average weekly pay		Women's earnings as % of men's earnings	
	Men	Women	2007	2005
Hospitality	£197	£177	90%	85%
Retail	£185	£156	84%	89%
Customer Service	£195	£180	92%	94%
Business Administration	£172	£166	97%	95%

Source: Department for Innovation, Universities and Skills (2008), Apprenticeship Pay: A Survey of Earnings by Sector

As the chart shows, there is a gender pay gap in Apprenticeships, even in sectors where there the gender balance is more even. This suggests that other factors, such as discrimination, are also at work. The biggest difference was in the retail sector, where women's earnings were 84 per cent of men's. This equates to a 16 per cent gender pay gap within the sector. This is an area where the TUC would like to see greater exploration.

Recent research suggests that women receive less of a return from Apprenticeships than men. McIntosh (2007)<sup>8</sup> conducted a cost-benefit analysis of Apprenticeships and found that while there are wage benefits for men who have done a level 2 Apprenticeship, there are no wage benefits for women. In 2006/07, women made up 41.7 per cent of Advanced Apprenticeships (level 3), and 47.6% of Apprenticeships (level 2). Further, recent research by the Equal Opportunities Commission<sup>9</sup> found that men who have a trade Apprenticeship are 370% more likely to be in a high level job compared to women with this as their highest qualification. By contrast, women with a trade Apprenticeship are 360 percent more likely to be in a low level job compared to men with this qualification.

<sup>8</sup> McIntosh, S. (2007) 'A cost benefit analysis of apprenticeships and other vocational qualifications' DfES research report RR834, <http://www.dfes.gov.uk/research/data/uploadfiles/RR834.pdf>

<sup>9</sup> Jones, P and Dickerson, A (2007) 'Poor returns: winners and losers in the job market', Manchester, Equal Opportunities Commission

As women are disproportionately low paid the introduction of the national minimum wage closed the gender pay gap by a modest amount. The pay gap at a point 10 per cent up the earnings distribution has closed from 12 per cent in 1997 to 7 per cent in 2007. Clearly the minimum wage cannot deal with inequality at the top end of the pay distribution, but its effect has been very beneficial for low paid women.

The TUC believes the introduction of the £80 minimum in England in 2005 would have been most beneficial to women. The 2005 pay survey had demonstrated that those receiving less than £80 per week were most likely to be women. There were a number of sectors where a significant percentage of apprentices earned less than £80 per week, including childcare (49 percent), hairdressing (41 percent), retail (26 percent), health and social care (22 percent) and business administration (22 percent). The two lowest paid sectors, hairdressing and childcare, are also those with the highest proportion of women. As noted earlier, the number of people receiving less than £80 has been significantly reduced as reported in the 2007 survey.

Because women apprentices are disproportionately poorly paid, at the very least, bringing them under the minimum wage in some form would improve gender equality in Apprenticeships.

## 6. Apprentice earnings

### **Sources of statistical information**

Public policy would benefit from the collection of higher quality data about apprentice pay rates. The main source of data on pay, the UK Statistics Authority (SA) Annual Survey of Hours and Earnings, which is a survey of employers, does not identify apprentices at all.

In contrast, the SA Labour Force Survey (LFS) of workers does ask about apprentices, but underreports their number by about a third. The LFS is not bad at reporting traditional Apprenticeships; such as those in construction, but its reports are very poor in some industrial sectors. This may be because the LFS has a high number of proxy responses from relatives, some of whom may not recognise non-traditional forms of apprentices as such.

DIUS have attempted to plug this significant gap in our knowledge by commissioning its own stand alone surveys in 2005 and 2007. These surveys relate to England only. However, their results are less useful than they might be for evaluating the minimum wage exemptions since they have, rather perversely, stated all their findings in terms of net pay in their published reports.

The DIUS surveys also collected some information on gross pay. It would obviously be useful for the LPC to examine this data.

## Examples of trade union agreements on apprentice pay

The TUC's affiliated unions have sent us details of a number of current apprentice agreements. These are largely drawn from better companies, who are still most likely to produce high quality Apprenticeships, which train to NVQ level 3 and beyond. However, there are also some examples of other industries where profit margins are tighter.

Table 11: Trade union agreements on apprentice pay rates

<i>Agreement</i>	<i>Union and date agreement effective</i>	<i>Apprentice level and pay rate (hourly unless stated otherwise)</i>
Construction Industry Joint Council agreement	UCATT, GMB, UNITE 30 June 2008	Year 1 - £4.29 Year 2 - £5.54 Year 3 without NVQ2 - £6.48 Year 3 with NVQ2 - £8.24 Year 3 with NVQ3 - £10.30 On completion of apprenticeship with NVQ2 - £10.30
Building and Allied Trades Joint Council (House building)	UCATT, GMB, UNITE 30 June 2008	16 year old starter - £4.26. Final year - £10.26
Royal Mail	CWU 1 April 2008	Year 1 - £15,730 per year
London Underground	RMT 1 April 2008	Year 1 - £227.80 per week
BAE Systems Surface Fleet solutions	UNITE 1 April 2008	Year 1 - £3.65 Year 2 - £6.08 Year 3 - £6.65
VT Shipbuilding	CSEU, Prospect 1 April 2008	Year 1 - £3.18 Year 2 - £5.46 Year 3 - £8.18 Year 4 - £9.82
Springfield fuels	Prospect, UNITE 1 April 2008	Year 1 aged 18 - £9,305 per year
BAA (Gatwick)	PCS, UNITE, Prospect 1 April 2008	Starting rate - £13,676 per year Final apprentice rate - £22,005 per year
Imerys (Clay Production) Notes: Only takes adult	UNITE/GMB 1 March 2008	Grade 4 - £9.50 Grade 2 - £11.04 Grade 1 - £12.50

apprentices. Those on shift work receive extra payments.		
Plumbing and mechanical services JIB	UNITE 7 Jan 2007	Year 1 -£5.04 Year 2 - £5.77 Year 3 - £6.52 Year 3 (NVQ2) - £7.92 Year 4 - £8.03 Year 4 (NVQ2) - £9.10 Year 4 (NVQ3) - £10.05
British Furniture Trade JIC	GMB 1 Jan 2008	Age 16 - £3.21 Age 17 - £3.99 Age 18 - £4.73 Age 19 and above - £6.11
Coors Brewery	UNITE 1 Jan 2008	Operatives (per year) Year 1- £10,468 Year 2 - £13,084 Year 3 - £15,701 Year 4 - £18,318 Engineers (per year) Year 1- £11,478 Year 2 - £14,348 Year 3 - £17,217 Year 4 - £20,087
Thermal Insulation Contracting NJC	GMB, UNITE 1 Jan 2008	Year 1 - £4.60 Year 2 - £6.74 Year 3 - £9.10
Nissan Motor Manufacturing	UNITE 1 Jan 2008	Admin assistant (3 year apprenticeship) Min - £4.52 Max - £6.69 Manufacturing staff (5 year apprenticeship) Min - £3.01 Max - £5.92 Maintenance technician (5 year apprenticeship) Min - £4.52 Max - £9.04
BAE Military air systems	UNITE/GMB/UCATT 1 Jan 2008	Stage 1 - £10,187 pa Stage 2- £12,158 pa Stage 3 - £14,467 pa Stage 4- £23,739 pa
Network Rail (Maintenance)	RMT	Year 1 - £12,907 per year
Ford Motor co.	UNITE/GMB 24 November 2007	Grade AS1 - £5.55 Grade AS2 - £6.88 Grade AS3 - £8.73 Grade AS4 - £10.85
BMW Oxford	UNITE 1 November 2007	Stage 1 - £5.15 Stage 2 - £6.20

		Stage 3 - £7.65 Stage 4 - £9.10 Stage 5 - £9.86 Stage 6 - £10.50
BMW Swindon	UNITE 1 November 2007	Stage 1 - £5.04 Stage 2 - £6.06 Stage 3 - £7.76 Stage 4 - £9.18 Stage 5 - £10.02 Stage 6 - £10.67 Stage 7 - £11.25
Land Rover	UNITE/GMB 1 November 2007	Stage 1 - £5.06 Stage 2 - £6.18 Stage 3 - £7.73 Stage 4 - £9.27 Stage 5 - £10.07 Stage 6 - £10.77 Stage 7 - £11.41
Devonport Royal Dockyard	GMB, UNITE, Prospect 1 Oct 2007	Phase 1 - £4.22 Phase 2 - £5.69 Phase 3 - £7.70 Phase 4 - £9.32

Sources: TUC affiliated unions, Income Data Services, Labour Research Department

Progression in these agreements is based on a range of criteria, with rates improving on the basis of a mixture of age, number of years completed, competencies (indicated by 'stages' in the table above), and qualifications.

## 7. The agricultural wages board recommendations

The Agricultural Wages Board (AWB) sets rates for agricultural apprentices. The Agricultural Wages Order 2007 stipulates the following hourly rates:

- 16-17 year olds -£3.46
- 19-21 year olds - £4.60
- Aged 22 and above - £5.52.

The AWB did not feel that it was necessary to set apprentice rates below the national minimum wage. Indeed, it set a rate for young workers that was a few pence above the minimum wage rate for 16 and 17 year olds.

## 8. Minimum wages for apprenticeships in other countries

The TUC was most interested to discover how apprentices are treated in countries with a relatively high minimum wage and a concept of apprenticeship that is similar to the UK. Ireland and Australia have well developed apprenticeship systems and both set an adult minimum age rate of more than £5.00 on the exchange rate value.



## Case Study - The Republic of Ireland

The Republic of Ireland (RoI) sets a special minimum wage rate for employees over the age of 18 who are undergoing a course of structured training or directed study that is authorized or approved of by the employer.

There is also a youth rate for those under the age of 18, which is currently €6.06 per hour (70% of the RoI adult rate - £4.17<sup>10</sup>), but there are no further discounts from the youth rate for young apprentices and trainees. On the contrary, the minimum apprenticeship rates are marginally higher than the general rate for 16-17 year olds.

“The trainee rates provided by the Act<sup>11</sup> are as follows:

- First one-third of training course €6.49 per hour (75% of RoI national minimum wage rate- £4.47 sterling)
- Second one-third of training course €6.92 per hour (80% of RoI national minimum wage rate - £4.77 sterling)
- Final one third of the training course €7.79 per hour (90% of RoI national minimum wage rate - £5.36 sterling)

Note: each one third period of a training course must be at least 1 month and no more than 1 year.

The Act provides certain criteria which the training course must meet if the trainee rates are to apply. For example, the training or study must be for the purposes of improving the work performance of the employee; the employee's participation on the training or study must be directed or approved by the employer; at least 10% of the training must occur away from the employee's ordinary operational duties; there must be an assessment and certification procedure or written confirmation on the completion of the training course.<sup>12</sup>”

There are currently 25 apprenticeship trades which lie in the broad categories: construction, mechanics, electrics, printing and engineering<sup>13</sup>. The standard based (designated) apprenticeship system was introduced in 1991 and fully implemented in 1993. The present duration of an apprenticeship is four years leading to a National Craft Certificate.

The Irish minimum wage took effect in 2002. Setting minimum rates for apprentices has certainly not slowed the increase in the number of apprenticeship

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<sup>10</sup> Exchange rates at end 2007 - compatible with above table from LPC report 2008

<sup>11</sup> Section 16, National Minimum Wage Act 2000, <http://citizensinformation.ie>

<sup>12</sup> ‘Minimum Rates of Pay in Ireland’, <http://citizensinformation.ie>

<sup>13</sup> “Monitoring Ireland's Skills Supply: Trends in Education / Training Outputs”, V.Patterson and J. Behan, SkillsIreland 2006, p32

[http://www.skillsireland.ie/press/reports/pdf/egfsn0601\\_monitoring\\_irelands\\_skills\\_supply.pdf](http://www.skillsireland.ie/press/reports/pdf/egfsn0601_monitoring_irelands_skills_supply.pdf)

places on offer. Since 1996, the number of new apprentices has doubled. The number of registrations has increased from 6,325 in 1998 to 8,236 in 2004, representing a 32% increase.

The table below shows the strong growth in the number of construction apprenticeships.

Table 12: Republic of Ireland Construction apprentices

Central Statistics Office Ireland Database-Direct											
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Apprentices</b>											
All construction	1,153	1,500	2,124	2,325	2,724	3,260	3,612	3,977	3,984	4,553	4,564

Source: Republic of Ireland Central Statistics Office – June 2008

### Case study - Australia

There are quite a large number of statutory rates for Australian apprentices, around 800 in all, which vary according to certain characteristics such as years of school completed, years of training, the type of Australian apprenticeship and the industry or occupation. Many are also differentiated by Federal agreements or collective agreements. For example, there are seven different agreements covering bakers.

The Australian Fair Pay commission is currently reviewing these “wage arrangements for junior wages and employees to whom training arrangements apply in the context of commencing a process to rationalise Pay Scales.”<sup>14</sup>

The Australian Fair Pay Commission sets a minimum percentage increase that applies to all these agreements. In 2007, they all increased by the same percentage as the adult minimum wage.

The table below gives the minimum rates for Australian Apprentices in some of the industries where there is a high concentration of apprentices in the UK.

<sup>14</sup> Australian Fair Pay Commission Report 2007 - Executive Summary



Table 13: Sample Australian minimum wage bottom rates

Sector	Sample Australian award	Australian minimum rate
Construction	New South Wales State Award – May 2008	Year 1 -\$7.68 (£3.69)
Hairdressing	Queensland State Award – July 2007	Entry level \$6.48 (£3.12) (increases on attainments of 25% competency)
Hospitality and Catering	Federal Hospitality Industry: Accommodation, Hotels, Resorts and Gaming Award September 2007	Year 1 - -\$7.36 (£3.54)
Vehicle Maintenance and Repair	Federal Vehicle Industry award July 2007	Non-adult apprentice first year - \$6.81 (£3.27)
Retail	Australian Capital Territories Retail and Wholesale Industries Shop Employees Award November 2007	First 6 months - \$6.48 (£3.12)
Electrotechnical	New South Wales Electrical , Electronic and communications Industry Award July 2007	First year \$7.19 (£3.45)

Source: Australian Workplace Authority:

<http://www.workplaceauthority.gov.au/graphics.asp?showdoc=/payandconditions/PayScaleSummaries2007/PayScaleSummariesS-U.asp>

Exchange rates calculated at 30 June 2008

There have been statutory minimum pay rates in some industrial sectors in Australia since 1824, and almost universal coverage since 1907. The Australian minimum wage has risen in recent years.

The table below shows that the increases in the minimum wage have been accompanied by increases in both the incidence and numbers of apprenticeships.

Table 14: Apprentice and trainee training rates, 1996-2006, Australia

Year	Apprentices & trainees in-training <sup>(b)</sup> (‘000)	Employed persons (‘000)	Apprentice & trainee training rate (%)
1996	164.4	8487.8	1.9
1997	185.9	8631.3	2.2
1998	216.6	8808.1	2.5
1999	252.3	8992.7	2.8
2000	284.6	9167.2	3.1
2001	319.2	9248.0	3.5
2002	363.1	9529.7	3.8
2003	390.6	9682.8	4.0
2004	388.9	9947.1	3.9
2005	394.6	10159.5	3.9
2006	396.9	10465.6	3.8

Source: “Australian Vocational Education and Training statistics: Apprentices and Trainees Annual 2006”, National Centre for Vocational and Educational Research, September 2007  
[http://www.ncver.ed.au/statistics/aats/ann06/training\\_rates.xls](http://www.ncver.ed.au/statistics/aats/ann06/training_rates.xls)

We should note that there is still more to be done. A recent report ‘Living Standards of Apprentices’<sup>15</sup> by Group Training Australia identified a link between low apprentice pay and a high drop-out rate of around 40 per cent.

## 9. Paybill impact of setting a minimum rate of £110 per week

Apprenticeships attract significant public funding. For example, each Apprenticeship place in England typically attracts a training subsidy of between £3,000 to £15,000 annually for 16-18 year old apprentices.

Whilst we could see some need for caution when setting the LSC’s minimum funding guarantee, with the benefit of experience it is clear that it was set far too low. A step change is needed to bring the minimum payment up to the right level, and in January 2008 the TUC called for the LSC rate to be increased to £110 per week.

The report, *Decent Pay for Apprentices*, examined the impact of setting a minimum rate of £110 per week on sectors with a high concentration of apprentices.

<sup>15</sup> [http://www.gtald.com.au/projects/apprentices\\_living\\_standards.html](http://www.gtald.com.au/projects/apprentices_living_standards.html) Group Training Australia is the peak body representing over 150 Group Training Organisations (GTOs) employing over 41,000 apprentices and trainees.

The biggest impact would be likely to be felt in hairdressing, where as many as 70% of apprentices may currently be paid less. However, even in this sector the impact only amounts to an increase of 0.12 per cent in the overall employee paybill for the sector, which would equate to an increase of £1 for every £800 currently paid to hairdressing employees.

At the other end of the scale, the impact of increasing the pay of all customer services apprentices to £110 per week would not exceed 0.0005% of the current paybill, which would mean that employers would have to pay an increase of £1 for every £500,000 currently paid in to customer services employees.

These figures are low enough to convince the TUC that the impact could be managed without deterring employers from providing Apprenticeships.

Uprating the minimum apprentice pay to £110 would help support the most vulnerable, and will have a particular impact on female apprentices.

## 10. Discussion and the TUC's recommendations

The TUC strongly supports the Government's goal of increasing the number of Apprenticeship places available, on the basis that they provide high quality training and support equality.

We are particularly concerned that the mechanisms for enforcing the minimum funding guarantees are very weak in comparison to the minimum wage regime. There is evidence of exploitation in some cases involving very low pay or no pay, and weak or non-existent training. Therefore, our first priority will be to ensure that all UK apprentices are covered by the minimum wage in order to ensure that there is a robust enforcement mechanism in place.

The Government's intention is to raise the participation age in education and training in England to 18 by 2015<sup>16</sup>. Unless the apprentice exemptions are lifted, there could be the anomaly of having two young people working side by side, one on the NMW youth rate and the other on an Apprenticeship not being protected. This could create perverse incentives in the system.

The terms of reference for the review of the apprentice exemption are quite broad. While it is clear that the LPC has been asked to advise whether or not the apprentice exemptions are still appropriate, it is unclear at this stage whether the LPC's decision will be on the basis of principle only, or if a rate will also be recommended if a decision is taken that the exemption is no longer appropriate. If the LPC does take a decision to set an apprentice rate, the TUC has also considered what that might look like.

The TUC is mindful of the Government's objective that there should be 500,000

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<sup>16</sup> The Education and Skills Bill, currently before Parliament, proposes to raise the age that young people leave education and training, from 16 to 17 by 2013 and to 18 by 2015

quality Apprenticeships on offer by 2020. The TUC is also aware that the sectors that young people's jobs and training opportunities are concentrated can be particularly sensitive to the wider economic climate. The TUC believes that the rate should be kept under constant review with a view to maximising the pay of apprentices without damaging Apprenticeship opportunities.

***Recommendation 1:***

***The LPC should recommend that the current apprentice exemption from the National Minimum Wage (NMW) Act be removed***

The LPC will need to consider the timing of its recommendations with some care. Many Apprenticeships start in July or September, so some employers will only have a few months to plan to implement any changes that the LPC recommends.

However, as many Apprenticeships are now short in duration, delaying until 2010 would leave many apprentices unprotected for a significant part of their training - or even all of it.

With this in mind, if the LPC were to move beyond principle and recommend setting an apprentice rate, one approach might be to set relatively cautious initial rates for UK apprentices in 2009, with a further increase in 2010 (see below). The recommendation for 2010 should be subject to review by the LPC in its 2009/2010 inquiry.

Our strong view is that the LPC will find that initial rates will not have a detrimental effect on the availability of apprentice places and will have a positive effect on completions.

***Recommendation 2:***

***If the LPC both agrees the principle of including apprentices under the NMW Act protection and decides to press ahead with recommending a rate, the TUC argues that there should be an apprentice rate which is set to reflect the NMW initially with a modest discount to recognise the training element of the programme;***

***Examples to illustrate this include:***

***Apprentice rates to apply from October 2009:***

- *16 and 17 year olds - £3.30 per hour*
- *18-20 year olds in the first year of apprenticeship - £4.30 per hour*
- *21 and above in the first year of apprenticeship - £5.15 per hour*

***Apprentice rates to apply from October 2010:***

- *16 and 17 year olds - £3.43 per hour*
- *18-20 year olds in the first year of apprenticeship - £4.47 per hour*
- *21 and above in first year of apprenticeship - £5.36 per hour*

## Appendix 1

date: 25 February 2008

### TUC and FSB join forces to press for better recognition of apprenticeships

To mark the beginning of the first ever Apprenticeships Week, the two main organisations representing small businesses and employees have joined forces to stress the importance of apprenticeships.

The FSB supports the TUC call for an increase in the minimum weekly wage for apprentices from £80 to £110, once legislation has been passed to extend wage contributions to small employers who are taking on an apprentice. £110 for a 35-hour week would bring apprenticeships broadly in line with the minimum wage youth rate (£3.40 an hour).

The TUC and the FSB believe that further increasing completion levels is crucial to improving the quality and reputation of apprenticeships. And with research from the Modern Apprenticeship Task Force showing a link between poor apprenticeship pay and low completion rates, raising pay would help more trainees to complete their courses.

The TUC and FSB are also determined to boost diversity within apprenticeships. More women should be given a route into non-traditional roles and ethnic minorities and disabled people need greater access to high quality apprenticeships. The TUC and FSB believe that apprenticeships provide the life skills and employment experience that are vital for people entering the workplace today. Small businesses are one of the leading providers of apprenticeships and further improving quality will encourage more employers to take on apprentices.

**TUC General Secretary Brendan Barber said:** 'Apprenticeships are a great way for people to earn and learn, while employers benefit from skilled workers. The quality and diversity of apprenticeships must improve if they are to grow over the next decade. Completion rates are an important indicator of quality, and improving pay is crucial to ensuring that people can afford to complete their course. Increasing the minimum pay for apprentices to £110 a week will boost their reputation and convince more people to train.'

FSB National Chairman **John Wright** said: 'Apprenticeships provide employees with the tools to lead an active and rewarding working life and employers can only benefit from this. We are delighted that the Government is promoting apprenticeships, and feel it is right for a 35 hour working apprentice to be paid £110 a week so long as the Government extends the offer of wage contribution towards apprenticeships through Train to Gain'.

#### NOTES TO EDITORS:

- The Apprenticeship Summit 2008, hosted by the Learning and Skills Council, is part of the first ever Apprenticeships week, 25-29 February 2008.
- According to the Labour Force Survey, 69% of apprentices train in workplaces with fewer than 50 staff.
- World class Apprenticeships: Unlocking talent, Building Skills for All - section 5.16 - 5.17 states that employers with fewer than 50 employees will be eligible for a contribution to wage costs for employees when they undertake an apprenticeship.
- The final report of the Apprenticeship Task Force (2005) concluded that pay plays a significant role in non-completion of apprenticeships. The Apprenticeships Task Force was established in 2003 by the then Chancellor to increase employer involvement in apprenticeships and advise on the changing needs of employers and young people.
- Small businesses employ 58% of the private sector workforce, contribute over 50% of UK GDP and make up more than 99% of all UK businesses.
- The FSB is Britain's biggest business organisation with over 210,000 members. It exists to protect and promote the interests of the self-employed, and all those who run their own business. More information is available at [www.fsb.org.uk](http://www.fsb.org.uk).