

Forget Me Not

An investigation into the financial well-being of apprentices in the UK.

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Foreword

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Apprenticeships are currently dominating the dialogue around vocational study and training. On the news, in the House of Commons and even in party manifestos the political sphere is obsessed with 'the other 50 per cent' and how we can get more young people, and indeed those who aren't so young anymore, trained and ready for the workplace.

Throughout the year we've been talking to apprentices at different stages of their courses about the barriers they face in education. From the young person who is looking at their options, right through to someone who has nearly qualified in their chosen profession. And these stories were too powerful to ignore.

It's clear that whilst apprenticeships might be the education policy of the decade, the Government has failed to think about access to apprenticeships, and this report aims to expose some of those failures.

Our current challenge is to get employers to believe in the value of apprenticeships, to hire their own apprentices and for them to keep them in work long after they qualify. With an access system shutting out apprentices from low-income backgrounds, only the opposite will happen.

This report will show how this generation are being systematically shut out from vocational education because of financial constraints at almost every stage, pointing out the gross financial inequality between choosing full-time study or a vocational pathway. In fact, it will challenge the very values we place upon different modes of study and how the financial support attached to those different models continues to be a measure of the value we place upon vocational education as a country.

I hope this report will initiate a long overdue and serious debate over the state of support for apprentices, and lead to a commitment to removing the financial barriers which currently exist.



Joe Vinson
Vice President (Further Education)
National Union of Students

Executive Summary

Executive Summary

As we near the General Election in May there is consensus across the main parties that apprenticeships should be supported politically and backed financially.

The Conservative party recently pledged to use cuts to the welfare budget to fund three million new apprenticeships. At the same time the Labour party has announced its intentions to match the number of apprentices to those going to University by 2025 and recently said it would provide apprenticeship places for all who get high enough grades at the age of 18.

'Because of difficult decisions we will make on welfare, we will deliver 3 million apprenticeships by 2020... We have already doubled apprenticeships this parliament. We will finish the job in the next and end youth unemployment.'

David Cameron, Conservative Party Conference 2014

"So under the next Labour government, if you get the grades at 18 you will be guaranteed an apprenticeship. That is what I mean by a better plan for working people, a better plan for Britain."

Ed Miliband, 16 February 2015

'Gone are the days when a vocational education is seen as the poor relation when it comes to choosing a career path.'

Nick Clegg, 13 November 2014

The budget for apprenticeships has consistently increased, whilst the adult skills budget has plummeted. Since the last election the apprenticeship budget has risen from £1 072 million in 2009/10 to £1 487 million in 2013/14.¹ In contrast the adult skills budget faces a 19 per cent cut by 2015/16, bringing it down to £3.87 billion.² This means that since 2010 the budget for adults in further education (FE) has been shrunk by a third.

The numbers starting on apprenticeships has fluctuated considerably over the past couple of years.

Recent provisional figures indicate that the influx of Government money is leading to an increase in the number of young apprentices. In the 16-18 age group

¹ Mirza- Davis J and McGuinness F, (2015) Apprenticeship statistics, House of Commons Library.

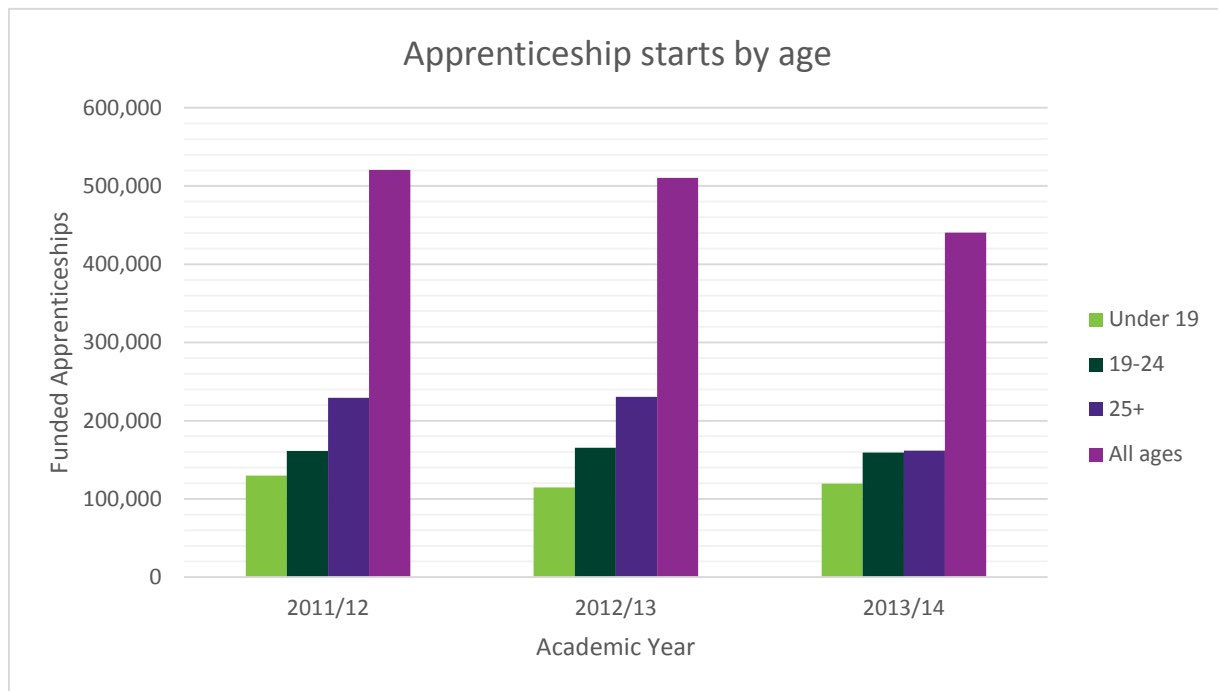
² Department for Business, Innovation and Skills and Skills Funding Agency (2014), Skills Funding Statement 2013-2016.

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apprentice starts were up in the first quarter of 2014/15 by almost 9000, from 2013/14.³

However it is a mixed picture across all age groups. In 2013/14 there were 440 000 apprenticeship starts in England.⁴ This is 14 per cent fewer than in the year before. The biggest drops occurred in the over 25 age bracket, with a dramatic fall of 30 per cent.⁵

The following graph shows apprenticeship starts across age groups from 2011-2014.⁶



Employers are also being incentivised to take on apprentices. In last year's Autumn Statement the chancellor George Osborne announced that the Government would abolish National Insurance contributions for apprentices aged under 25. This means from April 2016 almost half a million employers will be exempt from making the contributions.

In the run up to May the 8th the party leaders are falling over themselves to talk about apprenticeships, as they commit to solving youth unemployment through the creation of more apprentice places.

³ Department for Business, Innovation and Skills and Skills Funding Agency (2015), Further Education and Skills: Statistical First Release.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

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Whilst employers are encouraged to employ more apprentices and the Government is ploughing money in to funding them, what is the situation for the individual apprentice? What benefits and funding sources does an apprentice have access to?

Apprenticeships are often framed as a chance to 'earn whilst you learn'. They supposedly offer a chance to gain a skill and a qualification whilst working in a 'real' job with a wage. Yet for many apprentices their low wages quickly disappear on travel, rent and food.

NUS believes that apprentices need a better system of support in place in order for them to properly afford to complete their course. Without this apprentices are being forced to take on extra work, borrow money or drop out altogether.

Therefore this report makes the following recommendations:

1. Pay

- The minimum wage for apprentices is exploitative and not enough to cover basic living expenses. The Government should scrap the apprentice minimum wage, and apprentices should be entitled to at least the national minimum wage (NMW) for their age.
- Employers should ensure that information on the national minimum wage enforcement hotline is made available to apprentices. Colleges or training providers should also act as third party reporters to the NMW enforcement team.

2. Travel

- In the short term the Local Government Association should issue national guidance for local transport services to extend discount fares to apprentices.
- In the long term we would like to see free bus travel extended to all 16-19 year olds, enabling young people to access further study, training or work without a financial barrier.

3. Sick Pay

- Statutory Sick Pay should reflect hours worked, rather than the amount earned and should therefore be available to everyone who works for 30 hours or more a week. This would prevent apprentices from being absent from work without pay.

4. Family Budget

- The loss of child benefit for parents who have a child completing an apprenticeship is unacceptable and inconsistent with other areas of Government policy. We would like the Government to include apprenticeships in their 'approved' education or training category.

5. Childcare

- We are calling on the Government to extend Care to Learn to apprentices. Access to this fund would make a huge difference for young adults on apprenticeships, helping them to afford their childcare costs.

6. Bursaries

- The Government should extend access to the bursaries available for FE students to apprentices. This would ease the financial pressure on apprentices, helping with living and travel costs.

7. Bank accounts

- Banks should be encouraged to provide products, similar to those made available to undergraduates, for those on apprenticeships.

Findings

Findings

Pay

Apprentice pay remains pitifully low. The rate for apprentices aged 16 to 18 and those aged 19 or over who are in their first year is £2.73. All other apprentices are entitled to the national minimum wage for their age. This means that if an apprentice works a 35 hour week they earn just £95.55.

A Government report in 2014 revealed that in certain industries apprentices are frequently paid under this minimum wage.⁷ In fact the report showed that 42 per cent of level 2 and 3 hairdressing apprentices were paid under the legal minimum. Younger apprentices were also more likely to be paid under the NMW, with almost one quarter (24 per cent) of level 2 and 3 16-18 year olds recorded as being under paid.



'When doing my apprenticeship I am not financially able to just work this job, I also work part time at a supermarket 12 hours a week on top of my 42 hour apprenticeship work load. This enables me no time to complete course work out of work, but it is essential I keep both jobs to ensure I can pay my bills at the end of the month'.

Project Management Apprentice, National Society of Apprentices (NSoA) Travel Research Key Findings.⁸

NUS recommends:

The minimum wage for apprentices is exploitative and not enough to cover basic living expenses. The Government should scrap the apprentice minimum wage, and apprentices should be entitled to at least the national minimum wage for their age.

Employers should ensure that information on the national minimum wage enforcement hotline is made available to apprentices. Colleges or training providers should also act as third party reporters to the NMW enforcement team.

⁷ Department for Business, Innovation and Skills, (2014) Apprenticeship Pay Survey.

⁸ NUS (2014) National Society of Apprentices, Transport Survey Key Findings. London: NUS

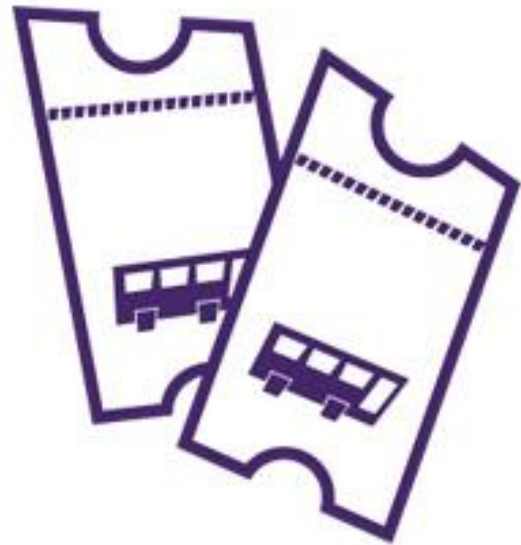
Travel

Travel to and from their training provider or work is a substantial expenditure for many apprentices. NUS recently conducted a piece of research on apprentice travel. The study showed that across the UK apprentices are paying an average of £24 per week in travel costs. This means that an apprentice on the apprentice national minimum wage would need to start work at 9am on Monday, work all day and then again on Tuesday until 10:45am just to earn enough to pay for travel.

Some local authorities offer travel discounts. For example there is an Apprenticeship Oyster card for travel in London. But discounts only apply for the first 12 months of an apprenticeship.

'I feel there should be more done for apprentices in terms of transport to work in London. The apprentice discount oyster card is only valid for the first 12 months of an apprenticeship. My travel is my biggest outgoing on an apprenticeship wage'.

Human Resource Management Apprentice, NSoA Travel Research Key Findings.⁹



NUS recommends:

In the short term the Local Government Association should issue national guidance for local transport services to extend discount fares to apprentices.

In the long term we would like to see free bus travel extended to all 16-19 year olds, enabling young people to access further study, training or work without a financial barrier.

⁹ Ibid.

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Sick Pay

If you're in work you're entitled to Statutory Sick Pay (SSP) if the following apply:

- you're sick for at least four days in a row (including weekends and bank holidays and days that you do not normally work)
- you have average weekly earnings of at least £111 a week

Apprentices on the minimum wage struggle to meet this requirement of £111 a week.

If you cannot get SSP or SSP has ended then the employer must fill in a SSP1 form. This is used to support a claim for Employment and Support Allowance (ESA).

This process can be lengthy and means that apprentices can quite easily be in the situation of being off work ill without pay.

'I worked with an apprentice who had to take time off to have a planned double jaw surgery, and was going to be off for 8 weeks. Because her employer never had a sick pay policy she thought she was entitled to SSP. But because she earned less than £111 a week she was not eligible for SSP. After some searching online she found that she was entitled to ESA but this takes 4 – 6 weeks for payment. Another apprentice broke her leg and couldn't do her daily duties so had to have some time off. In the end each of them received around £57 a week'.

Team Leading Apprentice, member of the NSoA Leadership Team.



NUS recommends:

Statutory Sick Pay should reflect hours worked, rather than the amount earned and should therefore be available to everyone who works for 30 hours or more a week. This would prevent apprentices from being absent from work without pay.

Family Budget

Parents are a vital source of support for those undertaking an apprenticeship.

Child benefit stops after a child's 16th birthday, unless they remain in Government 'approved' education or training. Courses which fall under this 'approval' include A levels or BTECs. Apprenticeships, as they are paid, are not included in this and therefore parents of apprentices lose their benefit after their child turns 16. This could mean the loss of £20.50 per week for an eldest child or £13.55 per week for other children. This is £1066 and £704.60 respectively per year that is removed from the family budget.

In a similar way child tax credit usually stops after a child turns 16, however it continues until the age of 20 if a child is in 'approved' education or training. Many apprentices do not fall under this and therefore parents miss out on up to £2750 a year for each child plus a family element of £545 a year. For those families who have moved onto the new universal credit, the loss would be similar, up to £3294.96 per year for the eldest child.

NUS recommends:

The loss of child benefit for parents who have a child completing an apprenticeship is unacceptable and inconsistent with other areas of Government policy. We would like the Government to include apprenticeships in their 'approved' education or training category.

¹⁰ NUS (2012) Apprentice Survey. London: NUS.

Childcare

Unlike other adults in FE apprentices have no access to a Care to Learn grant which offers up to £160 per child per week if you live outside London and £175 per child per week if you live in London.

Undergraduate students are supported by a combination of maintainable loans, grants and bursaries have a couple of different sources of funding support available to them, which apprentices are unable to access. The childcare grant offers up to 85 per cent of costs for childcare, with a maximum amount of grant annually available of £7811 for one child and £13392 for two or more children. Undergraduate course related costs can also be covered by the parents' learning allowance and the maximum entitlement is £1523.

'I have responsibilities when it comes to my home and family life, the apprenticeship wage has never really been enough to get by'.

Children and Young People's Workforce Apprentice, NUS Apprentice Survey.¹⁰

NUS recommends:

We are calling on the Government to extend Care to Learn to apprentices. Access to this fund would make a huge difference for young adults on apprenticeships, helping them to afford their childcare costs.



Bursaries

Those studying in school or college in England aged 16-19 are eligible for either a £1200 vulnerable student bursary or a discretionary bursary. This is not available to apprentices.

Over 19s are eligible for Discretionary Learner Support. The amount they get is dependent on their circumstances and decided by their learning provider. This is also not available to apprentices.

NUS recommends:

The Government should extend access to the bursaries available for FE students to apprentices. This would ease the financial pressure on apprentices, helping with living and travel costs.



Loans and Bank Accounts

Student bank accounts offer interest free overdrafts and perks such as free 16-25 railcards for their users. Apprentices however have no access to these accounts. Their only alternative for financial support is to take bank loans or use credit cards.

'Without a credit card I would not be able to afford to pay the petrol to get me to work and college, but then there is the struggle to pay off the debts that build up'.

Veterinary Nursing Apprentice, NSOA Travel Research Key Findings.¹¹

NUS recommends:

Banks should be encouraged to provide products, similar to those made available to undergraduates, for those on apprenticeships.

¹¹ Ibid.

Case Studies

Case Studies

Based on these findings the following case studies have been created to demonstrate the financial situation which apprentices could find themselves in.

1) Sarah is 18 years old and in the second year of her hairdressing apprenticeship at a college in central London.

She is paid the apprentice minimum wage for her age of £2.73 an hour. Sarah lives at home with her parents and commutes to her apprenticeship from zone 1-5.

Sarah earns £95.55 a week.

Weekly Expenditure:

Weekly Travelcard, zones 1-5	£54.70
Lunch (£4 per day)	£20
Course costs ¹²	£5.33
TOTAL	£80.03

This would leave Sarah with £15.52 per week for all other expenditure. If her parents charged her rent this would likely wipe out this remaining income.

¹² Based on an annual cost of £277.

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2) Hannah is 19 years old and in the first year of her apprenticeship in plumbing. She earns the apprentice minimum wage of £2.73 an hour.

Hannah is a single parent with one child aged 2. She lives in council rented housing in Manchester. At the end of last year she had to take two weeks of sick leave.

Hannah earns £101.01 a week.

Weekly Expenditure:

Weekly Travelcard	£13.10
Childcare (25 hours ¹³)	£32.97 ¹⁴
Lunch (£4 per day)	£20
Course costs ¹⁵	£3.85
TOTAL	£69.92

This would leave £31.09 per week for all other expenditure, including providing for her child.

Hannah would be entitled to apply for certain other benefits in respect of her child, including child benefit and child tax credit or universal credit. However, her earnings may offset some of this help depending on her circumstances. The system is, in any case, highly complex.

As Hannah earns less than £111 a week she was not entitled to SSP. She put in a claim for ESA, but this took a few weeks to process and as a result she missed out on her wage for two weeks when she was off work.

¹³ The Government gives a certain number of free hours of childcare per year, and then Working Tax Credit pays 70% of the remaining cost.

¹⁴ Based on 30% of average costs, using Childcare and Family Trust figures of £109.89 for 25 hours childcare (i.e. 37 hours less 12 hours of free childcare as in footnote 13 above).

¹⁵ Based on £200 including boots, overalls and basic tools.

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3) Paul is 23 years old and in the first year of his apprenticeship in social care. He is on the apprentice minimum wage. He rents a room in a flat in Leicester.

Paul earns £109.02 a week.

Weekly Expenditure:

Weekly Travelcard	£16.50
Lunch (£4 per day)	£20
Course costs ¹⁶	£0.76
TOTAL	£37.26

This leaves £71.76 a week for all other expenditure.

Paul does not have access to benefits and has to fund his rent from the remaining £71.76 a week. In order to afford living expenses he works in a pub a couple of nights a week, earning the national minimum wage. His shifts in the pub help him cover food, personal items and all other expenditure.

¹⁶ Based on an annual cost of £40 for two uniforms.

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4) Sam is a 17-year-old apprentice on the minimum wage. He is in the first year of his healthcare apprenticeship and lives at home in Tavistock with his mother. She is a single parent and has no other children. Sam travels to Plymouth for his apprenticeship.

Sam earns £95.55 a week.

Weekly Expenditure:

Weekly Travelcard	£20
Lunch (£4 per day)	£20
Course costs ¹⁷	£0.76
TOTAL	£40.76

Sam is left with £54.79 a week for all other expenditure.

Sam's mother is on a minimum wage job in a supermarket. She works 35 hours a week, taking home £212.¹⁸ As Sam is on an apprenticeship his mother cannot access child benefit and loses her child tax credit. This means she loses out on £83.86 a week. If Sam had continued to study in his local FE College she would have carried on to receive this money.

As a result, despite Sam's 'excess' income of £54.79 per week, there is still a loss to the household of £29.07 per week. It is also likely there will be a negative impact on other benefits that Sam's mother is claiming, though this would depend on other costs such as housing.

¹⁷ Based on an annual cost of £40 for two uniforms.

¹⁸ After tax and National Insurance contribution.

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