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MAKING APPRENTICESHIPS FUTURE-FIT

Report
July 2020

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Making apprenticeships future-fit

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Summary

Apprenticeships are a great way to support young people to transition between education and the workplace, allowing individuals to earn while they learn and to gain a valuable qualification. Yet, the evidence set out in this paper shows that the apprenticeship system in England has not been working as well as it could as a pathway into the labour market for young people for quite some time.

Most apprenticeships go to existing employees rather than new labour market entrants, with an increasing share of opportunities going to those aged 25 and over. The introduction of the Apprenticeship Levy, and associated reforms, have intensified long-run trends, leading many employers to concentrate their investment on existing, and in many cases already highly experienced, employees, as evidenced by the increase in professional and managerial apprenticeships.

There is a need to rebalance the apprenticeship system so that young people can access a greater share of apprenticeship opportunities. In the short term this should focus on boosting the number of apprenticeship places available for young people, and in the medium/long term, further reforms to the apprenticeship system to align with countries with more established systems.

The UK Government has recently announced a series of measures to mitigate against rises in youth unemployment, which include a £2,000 payment to incentivise employers to take on apprentices aged under 25 and a £1,500 payment for those aged 25 and over. While welcome, the lack of targeting – for example on small employers who are less likely to take on apprentices – means the programme risks considerable deadweight, that is, providing funding for apprenticeships that would have happened in the absence of the scheme.

Further, the small difference in incentive payments between the 25-plus and the under-25s risks disadvantaging young people. Evidence from a similar scheme launched during the last recession suggests that it may have been a better use of public funding to provide more generous incentives to SMEs to take on young apprentices.

In the longer term, further reforms to the system are needed to ensure that the apprenticeship system works better as a strong pathway for new labour market entrants to achieve occupational competence in a skilled job. This should include:

- funding reforms to incentivise employers to invest in young apprentices
- review of apprenticeship standards to align with international definitions of apprenticeships
- greater collaboration at a sectoral and local level between employers and education/training providers
- a greater emphasis on building strong, transferable 'essential skills'.

Introduction: youth unemployment and role of apprenticeships

The economic impact of the COVID-19 pandemic will be significant. The OECD recently predicted that the UK could be the worst affected economy in the developed world, forecasting a fall of 11.5% in national income (gross domestic product) over the course of 2020. This outstrips the declines predicted for France (-11.4%), Spain (-11.1%), Italy (-11.3%), Germany (-6.6%) and the USA (-7.3%).¹ The unemployment rate is predicted to rise sharply in the UK as a result of the downturn, with an average of independent forecasts for 2020 and 2021 standing at 7.9% and 6.4% respectively.²

The current unemployment rate stands at 3.9% of the economically active population and has remained relatively steady over the last few months. However, figures are likely masked by the Job Retention Scheme, which currently covers almost 9 million jobs. Other early labour market indicators are concerning, with official labour market statistics, at the time of writing, providing evidence of serious economic and labour market distress. The ONS reported:³

- a fall of over 600,000 in the number of payroll employees (down 2.1%) compared with March 2020, suggesting that employers are turning towards redundancies
- February–April 2020 saw a record quarterly fall in the number of self-employed (down 131,000)
- the largest annual decrease in total actual weekly hours worked on record, a fall of almost 9% between February and April
- the largest decrease in job vacancies since the series began in 2001 – in the most recent quarter (March–May 2020), there were an estimated 476,000 vacancies in the UK, 342,000 fewer than in the previous quarter (December 2019–February 2020)
- the number of people claiming Jobseeker's Allowance and work-related Universal Credit benefits rose by 528,000 in May, after a jump of just over 1 million in April.

Young people, especially those who have recently left education, are likely to be particularly hard hit by the economic downturn. Indeed, early figures suggest that younger people are already bearing the brunt of the fallout from the pandemic. According to recent research by the Institute for Fiscal Studies,⁴ the lockdown will have hit youngest people hardest, with employees under the age of 25 around two and a half times more likely to work in sectors that were shut down compared with other employees. This unequal impact is further backed up by research conducted by the University of Cambridge, which found that younger workers (aged under 30) are more likely to have worked fewer hours and earned less as a result of COVID-19: 69% of workers under 30, compared with 49% aged 40–55.⁵

As well as bearing the brunt in the short term, young people are also likely to be disproportionately affected in the longer term, as the full economic impact of the crisis hits the labour market. Recent research by the Resolution Foundation⁶ has estimated the potential employment and wage-scarring young people might face as a result of the economic crisis. Modelling the effect of a 6.1 percentage point increase (as forecast by the OBR between Q2 2019 and Q2 2020) in unemployment on education leavers' employment outcomes three years later, they found:

- a 13% lower likelihood of a graduate being in employment
- a 27% lower likelihood for those with mid-level (some higher education or an A-level-equivalent education)
- a 37% lower likelihood for those with lower-level (GCSE-equivalent or below) qualifications.

The study also estimated the likelihood of wage-scarring for those who do manage to find work, estimating a 7% reduction in real hourly pay two years out from leaving education; pay was forecast to be more depressed for those with mid- and lower-level qualifications (9% and 19% respectively).

Apprenticeships have long been heralded as a key mechanism to ease the school-to-work transition, by providing structured training pathways into skilled jobs for young people. Alongside this they can support better labour market outcomes: evidence gathered during the last recession suggests that in countries with well-developed apprenticeship systems, such as Germany, Austria and Switzerland, young people were shielded from the worst of the economic downturn.⁷

Yet, in England it can be argued that apprenticeships fail to provide a strong route into the labour market for young people: most apprenticeship places go to older workers and those who are already employed. During the current crisis and beyond, we need to make sure the policies are in place to ensure young people don't lose out.

The next section provides an overview and analysis of trends in apprenticeship starts in England, as well as some international comparisons. This is followed by a consideration of a range of short-term and medium-/long-term policy changes needed to ensure apprenticeships deliver for new labour market entrants as well as for organisations, the economy and society.

Recent changes in apprenticeship starts

The fall in the number of apprenticeship starts since the launch of the Apprenticeship Levy in April 2017 has been well documented.⁸ In 2018/19 there were a total of around 393,000 apprenticeship starts; this was slightly up on the figures for the previous year, when total starts stood at 375,800, but still considerably below pre-Apprenticeship Levy figures (509,000 in 2015/16).

However, even before the current crisis, it was questionable whether this upwards trend would continue. Data set out in Figure 1 – quarterly apprenticeship starts and cumulative starts – shows that after an initial period of recovery in 2017/18, in the most recent quarters (Q4 2018/19 and Q1 2019/20), starts are down on the previous year by 3% and 11% respectively.

Apprenticeships and COVID-19

The current crisis will have had a significant impact on employers' ability to take on any new apprentices, as well as delaying the completion of existing apprenticeships, and will likely have knock-on effects on retention too.

Recent research by the Sutton Trust has revealed that over a third (36%) of current apprentices have been furloughed, 8% have been made redundant as a result of the pandemic and 17% have had to put their off-the-job learning on hold,⁹ while the Association of Colleges has predicted that apprenticeship starts could fall by as much as 50% next year.¹⁰

Alongside changes in the number of apprenticeships, the introduction of the Apprenticeship Levy and associated reforms to the system have begun to shift the pattern of apprenticeship provision – both the type of apprenticeship (level and subject) and the characteristics of apprentices themselves.

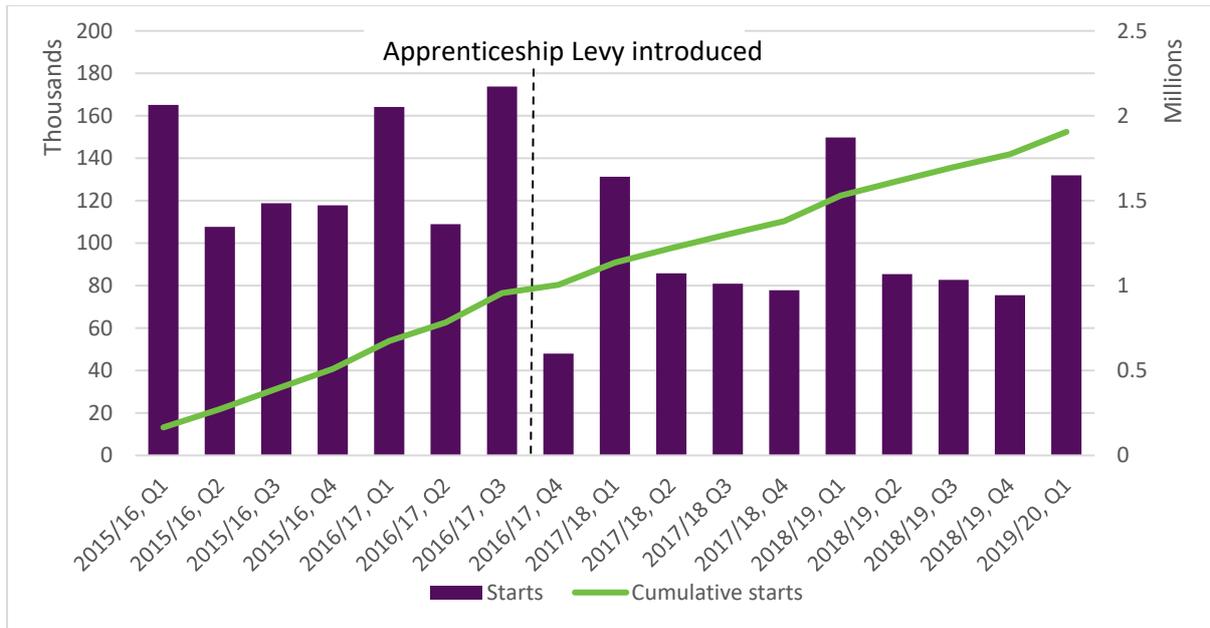
Overall, there has been a 21% reduction in the number of apprenticeship starts between 2016/17 and 2018/19, a drop of almost 102,000. However, as Figure 2 demonstrates the largest falls have been seen amongst intermediate apprenticeships, with a dramatic shift towards the provision of higher-level apprenticeships:

- intermediate apprenticeship starts (GCSE level) have been slashed almost in half (-45%), declining by 117,100 over the period 2016/17 to 2018/19
- advanced apprenticeship (A-level-equivalent/Level 3) starts have also fallen over the same period, albeit by a smaller amount (-22,900, or -12%)
- in contrast, the number of starts at higher level (foundation degree/degree level and above) have seen substantial growth (+38,500, or +105%).

This means that intermediate apprenticeships now make up just 37% of the apprenticeship starts in 2018/19, while advanced and higher-level apprenticeships stand at 44% and 19% respectively. This contrasts sharply with pre-levy figures, where intermediate apprenticeships made up over 50% of all apprenticeship starts. Yet, despite this shift, we still lag considerably behind the best systems in Europe – such as Germany, Switzerland and Austria – where nearly all apprenticeships are at advanced or higher level.

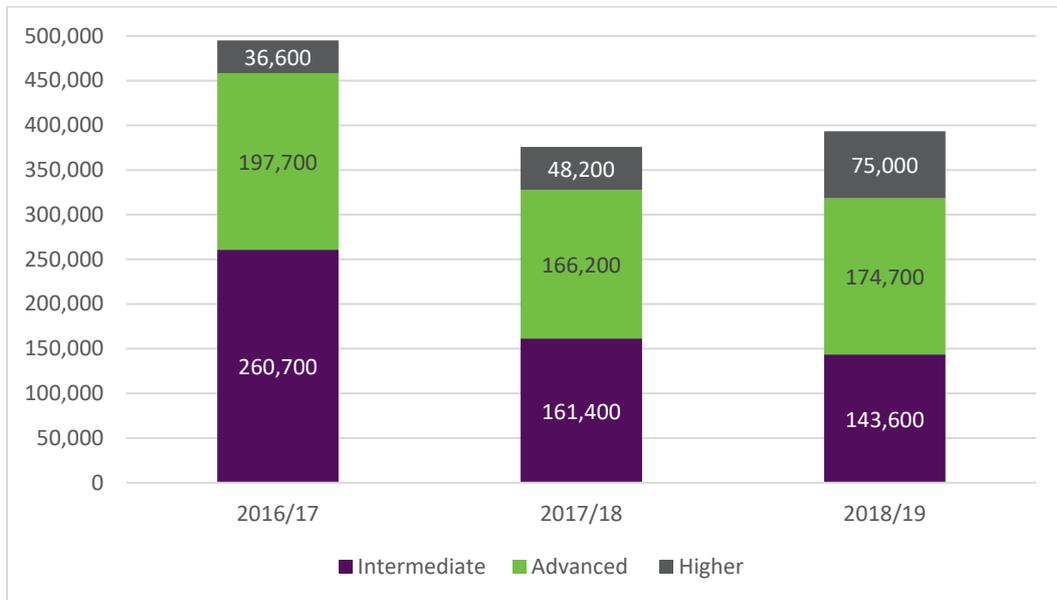
The shift towards higher, and more expensive, apprenticeship standards has also raised concerns around the long-term financial sustainability of the programme. The National Audit Office has reported that despite employers only drawing down 9% of the funds available to them, the average cost of training an apprentice on a standard apprenticeship is around double what was expected, making the programme likely to overspend in the future

Figure 1: Apprenticeship starts (thousands) and cumulative apprenticeship starts (millions) – Q1 2015/16 to Q1 2019/20



Source: [Apprenticeship statistics from DfE \(2015–20\)](#)

Figure 2: Number of annual apprenticeship starts by level, 2016/17 to 2018/19



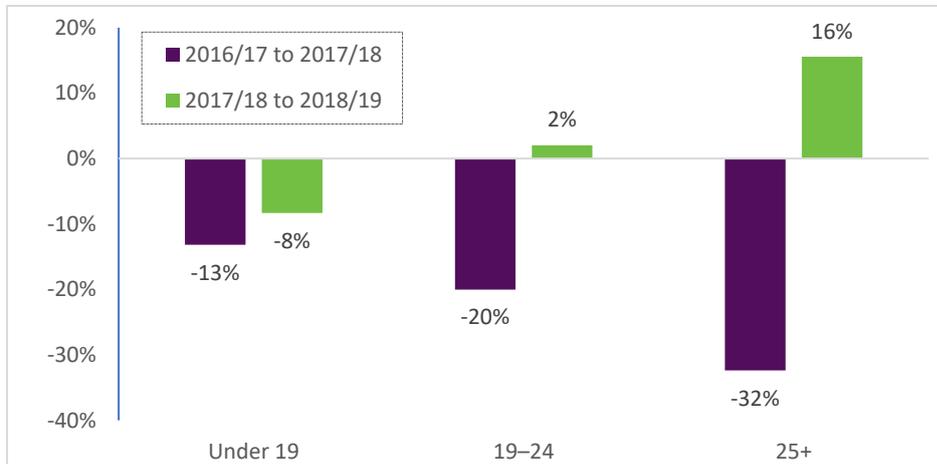
Source: [Apprenticeship statistics from DfE \(2016–19\)](#) (figures rounded to nearest 100)

The fall in the number of apprenticeship starts has not been evenly distributed. Figure 3 shows that initial declines (between 2016/17 and 2017/18) were steepest amongst those aged 25 and over. This group recorded falls of 32% (-74,500) in the number of apprenticeship starts, with those aged under 19 and those aged 19–24 experiencing slightly smaller falls of 13% and 20% respectively.

Yet, the most recent annual data suggests that this pattern has now reversed. While initial declines were recorded across all age groups, more recent figures suggest that younger apprentices – the very people the reforms were designed to help – appear to be now bearing

the brunt. Figure 3 shows that starts have continued to decline for younger apprentices (under 19) between 2017/18 and 2018/19, and there have been very small increases for those aged 19–24 (2%, or +2,300). Starts for those aged 25 and older, on the other hand, have experienced substantial growth (16%, or +24,000).

Figure 3: Annual percentage change in apprenticeship starts by age, 2016/17 to 2017/18 and 2017/18 to 2018/19 (% change in total starts)

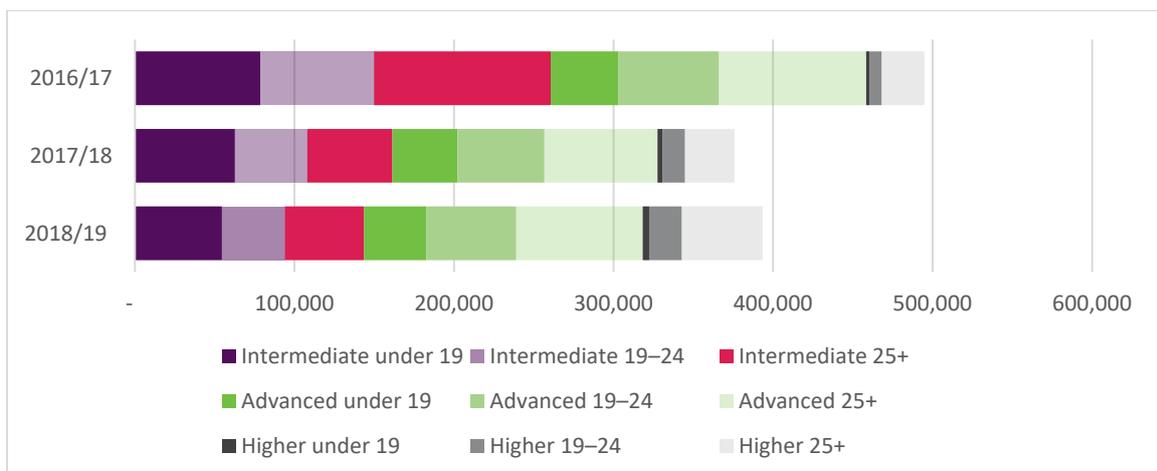


Source: [Apprenticeship statistics from DfE](#) (2016–19)

Figures 4 and 5 show the data for the same periods but split by age and level. This data shows that for the period 2016/17 to 2018/19:

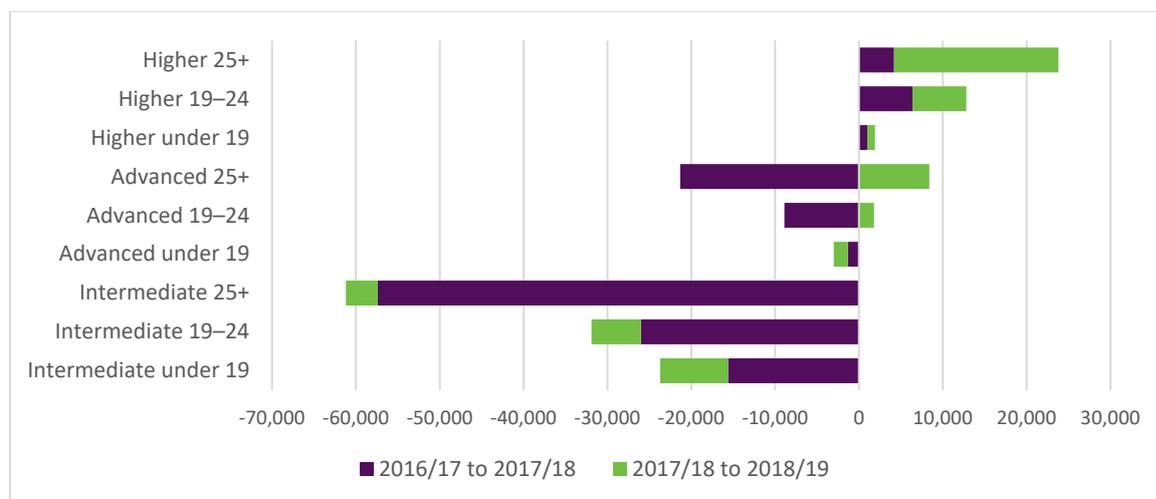
- falls in apprenticeship starts have been experienced across all age groups for starts at intermediate level
- growth has only been experienced for all age groups at higher-level apprenticeship starts, with the lion’s share concentrated amongst those aged 25 and over
- advanced starts fell for all age groups between 2016/17 and 2017/18 and then began to recover between 2017/18 and 2018/19, but only for those aged 19–24 and 25 and over.

Figure 4: Apprenticeship starts by age band and level, 2016/17, 2017/18 and 2018/19



Source: [Apprenticeship statistics from DfE](#) (2016–19)

Figure 5: Annual change apprenticeship starts by age band and level, 2016/17 to 2017/18 and 2017/18 to 2018/19



Source: [Apprenticeship statistics from DfE](#) (2016–19)

Since the introduction of the Apprenticeship Levy, employers have increasingly focused their investment on providing apprenticeship training to older, and in many cases already highly experienced and qualified, workers, evidenced by the growing numbers of apprenticeships in leadership and management and other professional training. For instance, looking at the types of higher apprenticeship starts that have been funded for the over-25s in 2018/19 shows that of the 50,700 higher-level apprenticeship starts:

- 10,000 were for Level 5 Operations/Departmental Manager, up 31% on the previous year
- 6,200 starts were for Level 5 Care Leadership and Management, up 7% on the previous year
- 3,400 starts were for Level 7 Senior Leader degree apprenticeships, a 525% increase
- 2,000 starts were for Level 6 Chartered Manager, up 24% on the previous year
- 2,000 starts were for Level 7 Accountancy/Professional, an increase of 72% on the year before.

This is not only an expensive and inefficient way to address the UK's management failings, but it risks undermining the purpose and vision behind the reforms. Moreover, it means that those who most need access to high-quality technical training lose out, namely those who are lower-skilled and younger individuals.

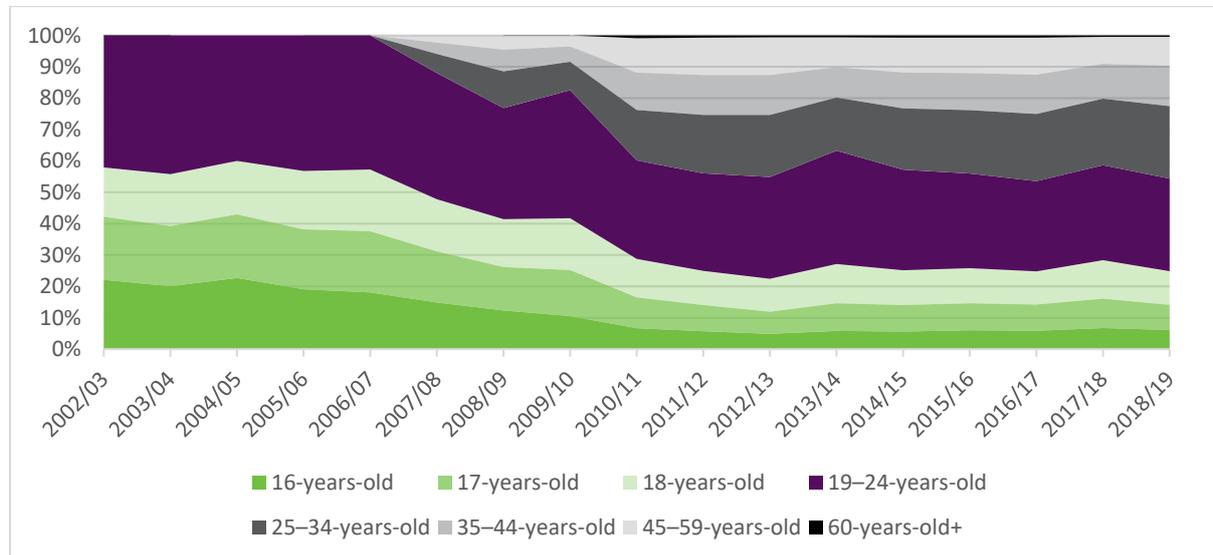
Apprenticeship starts since 2002/03

As highlighted in the previous section, overall apprenticeship starts since the introduction of the levy have fallen dramatically, with declines concentrated at intermediate level and amongst younger apprentices. As a result of these changes, apprentices over the age of 25 now make up 46% of all apprenticeships started in 2018/19.

Yet, the shift towards a greater share of apprentices aged 25 and over predates the introduction of the Apprenticeship Levy and associated reforms. In 2005, the apprenticeship system was extended to include those aged 25 and over, which had a dramatic impact on the age profile of apprenticeship starts. Figure 6 shows the changing age composition of starts between 2002/03 and 2018/19. In fact, almost all of the pre-levy apprenticeship growth

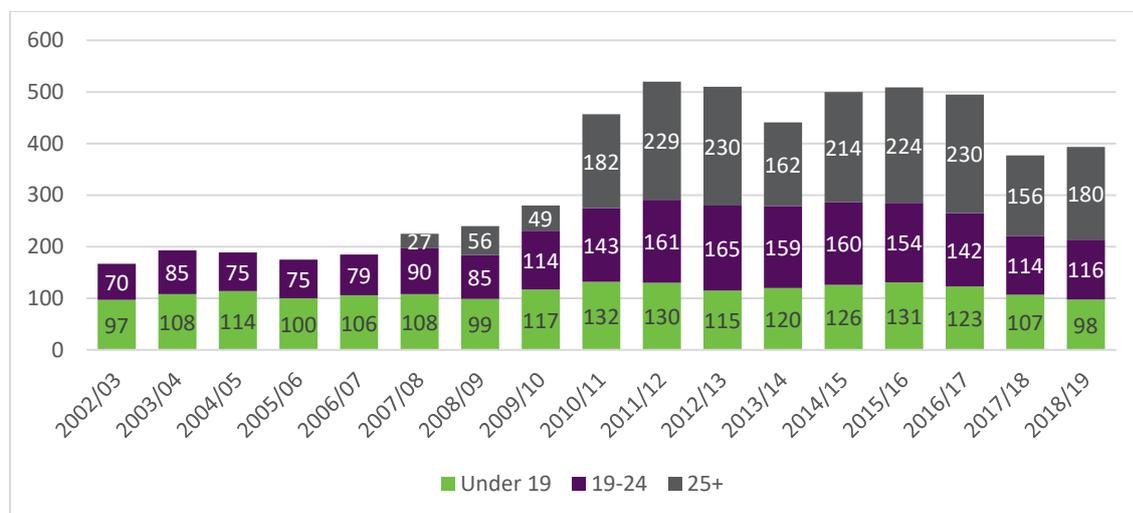
was down to the increases in starts amongst those aged 25 and older, while starts amongst those aged 19 and under, on the other hand, have remained relatively flat (Figure 7). This suggests that the system has not been working as well as it could for young people for a considerable amount of time.

Figure 6: Apprenticeship starts by narrow age band, 2002/03 to 2018/19 (% of total starts)



Source: [Apprenticeship statistics from DfE](#) (2002–19)

Figure 7: Number of apprenticeship starts by broad age band, 2002/03 to 2018/19 (thousands)



Source: [Apprenticeship statistics from DfE](#) (2002–19)

Evidence from 2018/19 apprentice learner and employer evaluations, published in March this year, highlight several ongoing challenges with the apprenticeship system and how well it currently works for young people.

First, new labour market entrants lose out to existing employees in access to apprenticeships. The majority (61%) of apprentices are already employed by their employer before starting their apprenticeship; this has increased since the 2017 survey (57%).¹¹ Further, over two-fifths of apprentices (42%) were long-term (12 months or longer) existing employees prior to their apprenticeship starting. Apprentices aged 25 and over were much

more likely (84%) to have been existing employees, compared with 19–24-year-olds (47%) and those aged under 19 (28%).

Research from the Centre for Vocational Education Research (CVER) shows that most value is added by apprenticeships at a younger age, when apprentices are more likely to be new to a job role rather than ‘topping up’ existing skills.

Table 1: Earnings differentials of apprenticeships by age group, gender and level

| Gender and level | 19–24 age group | 25+ age group |
|------------------------------------|------------------------|----------------------|
| Males, intermediate level | 15.0% | 6.9% |
| Females, intermediate level | 12.7% | 6.0% |
| Males, advanced level | 22.5% | 7.7% |
| Females, advanced level | 11.9% | 5.3% |

Source: Centre for Vocational Education Research (CVER)¹²

The March 2020 learner evaluation also suggests that there are still too many apprentices not receiving the full minimum 20% off-the-job training component of their apprenticeships. Overall, the survey found that one-fifth of apprenticeships in the 2018/19 survey did not meet the requirement to provide off-the-job training – with older apprentices and existing employees more likely to report no formal training.

More positively, 60% of learners who had completed their apprenticeship had received either a pay rise and/or promotion, with most reporting that this was a direct result of having completed the apprenticeship. Learners who completed apprenticeships in construction and engineering were more likely to receive pay rises and/or promotions, as well as those who trained at Level 4 and Level 6.

Despite a marked shift towards higher-level apprenticeships, several quality concerns remain. These include concerns about:

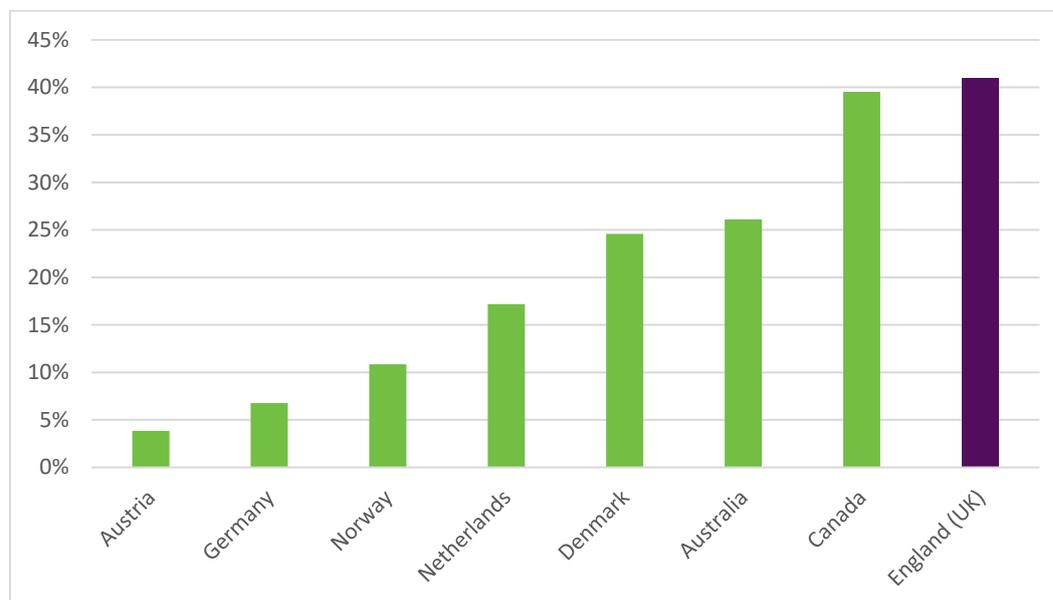
- the occupational breadth of new standards
- the quality of training providers given the rapid expansion and proliferation of apprenticeship standards.

It has been reported that too many standards are narrow and overlapping, restricting the extent to which apprentices gain transferable skills. A recent report¹³ suggested that almost 40% of the new standards would not meet the international or historical definition of an apprenticeship. Other commentators have also pointed to the proliferation of apprenticeship standards as an indicator of a lack of ‘occupational breadth’. There are now 554 standards approved for delivery, with over 100 in development. This compares with just 200 apprenticeship occupations in Austria, 320 in Germany, 230 in Switzerland, and around 100 in Denmark.

In addition, comparison with other countries on the duration and proportion of time spent in off-the-job training highlights further areas of potential weaknesses. Table 2 clearly shows that, compared with other countries, apprenticeships in England are substantially shorter on average and that the off-the-job component is towards the lower end of the spectrum. In most countries, apprenticeships last three years or more on average – compared with an

average of 15 months in England. Further, many other countries require a more substantial off-the-job element – between a third and half of an apprentice’s time.

Figure 8: Share of those aged 25+ among current apprentices (2012, 2014)



Source: Kuczera, M. and Field, S. (2018) *Apprenticeship in England, United Kingdom*¹⁴

Table 2: International comparisons in apprenticeship duration and off-the-job learning

| Country | Duration of programme | Time allocation in programme |
|--------------------|--|---|
| Austria | 3–4 years | 66% – workplace with company 20% – off-the-job education and training 14% – leave and sick days |
| Denmark | 3.5–4 years | Information not available |
| England | Minimum 12 months, 15 months on average | At least 20% in off-the-job training |
| Germany | 3–3.5 years (2-year programmes available) | 54% – workplace with the company 31% – off-the-job training 15% – leave and sick days |
| Netherlands | 2–4 years | 72% – workplace with the company, including leave and sick days 24% – in school The remaining 4% can be allocated to school or practical training |
| Norway | Mainly 4 years (shortage of programmes available for disadvantaged students) | Apprentices spend as much time in school as in the workplace with the company (typically the first 2 years are spent in school and the last 2 with the company) |
| Sweden | 3 years | Apprentices spend as much time in school as in the workplace with the company |
| Switzerland | 3–4 years (2-year programmes available) | 52% – workplace with the company 27% – off-the-job education and training 14% – leave and sick days |

Source: Kuczera, M. (2017) *Striking the right balance: costs and benefits of apprenticeship*¹⁵

Considerations for policy and practice

Apprenticeships are a great way to support young people's transition between education and the workplace. Yet, the evidence set out in the previous section shows that the apprenticeship system in England has not been working as well as it could for young people for quite some time. Most apprenticeships go to existing employees rather than new labour market entrants, with an increasing share of opportunities going to those aged 25 and over.

The rapid growth in the number of apprenticeships, prior to the introduction of the Apprenticeship Levy, was down to the expansion of the system to the over-25s, while apprenticeship starts for those aged under 19 remained relatively static. The introduction of the Apprenticeship Levy, and associated reforms, has intensified this long-run trend. While overall starts have been down for all age groups since the introduction of the levy, starts for those aged 25 and over have begun to recover but only at higher levels. Apprenticeship starts for those aged under 19, on the other hand, have continued to fall.

There is a need to rebalance the apprenticeship system so that young people are able to access a greater share of apprenticeship opportunities. In the short term, measures are needed to boost the numbers of apprenticeships to help mitigate against rises in youth unemployment. In the medium/long term, further reforms are needed to strengthen the pathway.

Short-term support for access to employment and training opportunities

On 8 July 2020, the Chancellor announced a series of measures¹⁶ to support access to education, employment and training opportunities for young people, in recognition of likely rises in youth unemployment. The measures, which focused specifically on boosting access to employment or training opportunities, included:

- Kickstart Scheme – £2 billion of funding to create hundreds of thousands of new, fully subsidised jobs for young people (aged 16–24) on Universal Credit who are at risk of long-term unemployment. The funding covers a six-month job placement at 100% of the National Minimum Wage for a minimum of 25 hours a week, with employers able to top up wages.
- £111 million to triple the number of traineeships to over 30,000 – employers will be given a £1,000 bonus for each traineeship learner they take on, up to a maximum of ten trainees per company.
- Incentives for employers to invest in new apprenticeships – for the next six months, organisations who hire a young apprentice will receive a payment of £2,000, and £1,500 per apprentice for those aged over 25. This is on top of existing incentives, which include a £1,000 payment to take on a 16–18-year-old apprentice.

These measures are welcome. However, they will only be effective if they lead employers to create additional jobs, apprenticeships, or work placement opportunities for young people, over and above what they planned to do in the absence of these measures.

Employer intentions on youth recruitment

A recent CIPD survey (fieldwork conducted 18–30 June) sheds some light on the proportion of employers who were planning to recruit young people over the next six months – their intentions to offer apprenticeships, internships, work placements – and the perceptions of the effectiveness of a similar series of measures, as those announced by the Chancellor, to enable them to recruit more young people.

Table 3 shows that there was wide variation by organisational size and sector on intentions to recruit individuals aged 16–18 and 19–24. Intentions to recruit young people over the next six months increased with the size of organisation and was more prevalent amongst public sector employers:

- Micro organisations (2–9 employees) are much less likely to report that they are planning on recruiting young people aged 16–18 (2%) or those aged 19–24 compared with larger organisations.
- Large employers (250+ employees) and employers in the public sector are much more likely to report that they will be recruiting young people aged 16–18 in the next six months. They are also more likely to report that they will be recruiting young people aged 19–24.

Table 4 sets out employer intentions to offer work placements, internships or apprenticeships to young people in the next six months. Overall, just 17% of employers were planning to offer an apprenticeship; however, this was slightly higher than the proportion of organisations planning to offer internships or work placements (both at 13%).

Looking at the difference by employer size and sector reveals a similar pattern to recruitment intentions, with micro employers much less likely to be planning to offer young people a work placement (4%), apprenticeship (2%) or internship (3%). Large employers were more likely to be planning to offer work placements (17%), internships (17%) and apprenticeships (26%) compared with smaller employers. Meanwhile, employers in the public sector were more likely to be planning to offer apprenticeships (24%) and work placements (16%) compared with employers in the private and voluntary sectors. This data highlights the importance of boosting the creation of job and training opportunities for young people amongst smaller employers.

However, it should be recognised that there is a substantial level of uncertainty in employers' plans – a quarter of employers responded that they didn't know – which is unsurprising given the current economic context and uncertainty on the future shape of the pandemic.

Table 3: Employer recruitment intentions next 6 months (% of organisations)

| | | 19–24-year-olds | 16–18-year-olds |
|---------------|------------------------|-----------------|-----------------|
| Sector | Private sector | 24% | 9% |
| | Public sector | 37% | 20% |
| | Third/voluntary sector | 16% | 8% |
| Size | 2–9 employees | 7% | 2% |
| | 10–49 employees | 16% | 7% |
| | 50–249 employees | 25% | 8% |
| | 250+ employees | 33% | 15% |
| | All employers | 25% | 11% |

Base: all employers: 1,046; private sector: 732; public sector: 185; third/voluntary sector: 129; 2–9 employees: 147; 10–49 employees: 173; 50–249 employees: 170; 250+ employees: 555.

Table 4: Employers' intentions on offering work placements, internships and apprenticeships, next 6 months

| In the next 6 months we will be offering... | Sector | | | | Size | | | |
|---|---------------|----------------|---------------|------------------------|---------------|-----------------|------------------|----------------|
| | All employers | Private sector | Public sector | Third/voluntary sector | 2-9 employees | 10-49 employees | 50-249 employees | 250+ employees |
| Work placements to young people aged 16-24 | 13% | 13% | 16% | 9% | 4% | 11% | 11% | 17% |
| Internships to young people aged 18-24 | 13% | 14% | 9% | 9% | 3% | 8% | 11% | 17% |
| Apprenticeships to young people aged 16-24 | 17% | 17% | 24% | 11% | 2% | 8% | 13% | 26% |
| Don't know | 25% | 25% | 30% | 22% | 14% | 19% | 23% | 31% |
| None of the above | 46% | 46% | 36% | 58% | 79% | 60% | 51% | 30% |
| Base (weighted) | 1,046 | 732 | 185 | 129 | 147 | 173 | 170 | 555 |

Source: CIPD COVID-19 employer survey, 18-30 June, YouGov Panel (sample size=1,046)

Employer perceptions of measures to support youth employment

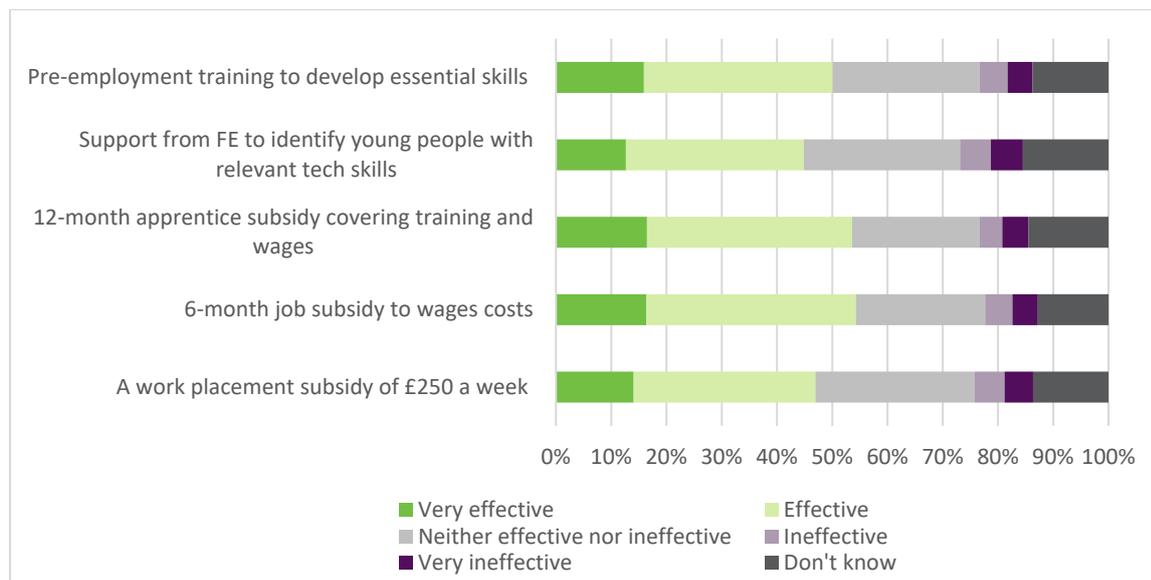
In advance of the Chancellor's announcements, employers were also surveyed on their views on the effectiveness of support measures to enable them to recruit more young people. While not directly comparable with the measures announced in [A Plan for Jobs 2020](#),¹⁷ they show that, in general, employers are broadly supportive of the types of measures included in the statement.

A six-month job subsidy (in line with the new policy announcements) and a 12-month apprenticeship subsidy (considerably more generous than that announced) were considered to be the most effective mechanisms to enable employers to recruit young people, with 54% surveyed stating that they would be effective/very effective. However, it should be noted that these measures were viewed as most effective by employers who were already planning to offer work placements and apprenticeships for young people:

- 74% of employers who were already planning to offer work placements said that a work placement subsidy would be effective or very effective compared with just over a third (36%) of employers who were not planning to offer placements.
- 75% of employers who were already planning to offer apprenticeship places for 16-24-year-olds reported that an apprenticeship subsidy would be effective or very effective, compared with only 42% of employers who were not planning to recruit a young apprentice.

Around half of employers also viewed the other mechanisms as either effective or very effective: 47% reported that a work placement subsidy of £250 a week would be effective, 45% additional support from colleges, and 50% pre-employment training to develop essential skills such as teamworking, communication and problem-solving.

Figure 9: Employers' perception of effectiveness of support measures to enable recruitment of more young people aged 18–24 over the next 12 months (%)



Source: CIPD COVID-19 employer survey, 18–30 June, YouGov Panel (sample size=1,046)

Lessons from the last recession?

How successful the financial incentives will be in boosting the provision of apprenticeship opportunities for young people is difficult to determine. Financial incentives have been used, both in the UK and around the world, to kick-start the creation of apprenticeships, particularly during recessions, when employers may be more cautious about investing in training. But despite their widespread use, a [review](#) by the What Works Centre for Local Growth found that the evidence base on financial incentives for apprenticeships is weak.

While the new incentive measures are welcome, the lack of targeting, for example on small employers who are less likely to take on apprentices, means the programme risks considerable deadweight: that is, providing funding for apprenticeships that would have happened in the absence of the scheme. Further, the small difference in incentive payments between the 25-plus and under-25s risks disadvantaging young people. Evidence from a similar scheme launched during the last recession suggests that it would have been a better use of public funding to provide more generous incentives to SMEs to take on young apprentices (see box below).

Apprenticeship grant for employers of 16–24-year-olds ('AGE 16 to 24')

AGE 16 to 24 was launched in February 2012 in response to rising youth unemployment during the last recession. The programme comprised a £1,500 grant per apprentice over and above the cost of training. Initially, to reduce 'deadweight',¹⁸ the grant was available only to SMEs (under 250 employees) who hadn't employed an apprentice within the last three years. This was later extended (August 2012) to include employers with fewer than 1,000 employees who had not recruited, or had an apprentice within the last year.

Evaluation evidence¹⁹ showed that the scheme was successful in engaging SMEs, particularly those with fewer than 25 employees, who had never employed an apprentice before. The evaluation further found that the programme delivered a net return to the state of £18 for every £1 spent for Intermediate Apprenticeships, and £24 per pound spent for Advanced Apprenticeships. The study suggested that deadweight levels were around a fifth, based on survey findings that just 22% said that the grant had made no difference to their decision to take on an apprentice.

Medium- to long-term policy shifts

In December 2019 the CIPD convened a roundtable of senior HR practitioners to discuss the future of the apprenticeship system in England, focusing on how to ensure that it provides a high-quality training route, as well as a strong pathway to the labour market for young people.

Roundtable attendees agreed that further reforms would be necessary for the system to deliver both a high-quality training route and a strong pathway into the labour market for young people. The following reflections were provided by participants:

- Greater clarity is required on definition and purpose of apprenticeships, as well as on what success looks like for individuals, employers and society. There is a need to recognise that not all jobs are suitable for an apprenticeship as they do not have a specific and substantive learning journey.
- There needs to be a greater focus on ensuring progression – this should be baked into the apprenticeship journey, and career pathways should be clearly articulated to apprentices.
- HR has a key role to play, as better workplaces create better apprenticeships, but there is a need to provide more support to employers to boost internal capacity to deliver high-quality apprenticeship places, including guidance on effective line management.
- A greater focus should be placed on preparing young people for the workplace, including, for example, financial management skills, as well as ensuring apprenticeships include the development of broader ‘essential’ transferable skills as well as technical/job-specific skills.
- More collaboration is required between all parts of the system – between employers within a sector, as well as between schools, colleges, training providers and employers. This includes greater involvement of all stakeholders in the provision of better information, advice and guidance.

In light of feedback from roundtable attendees as well as a consideration of the evidence set out in the rest of this paper, we recommend the following areas for reform.

Ensure a greater share of apprenticeship opportunities are for the under-25s by requiring employers to co-invest in over-25 apprentices’ training

In England it can be argued that apprenticeships fail to provide a strong route into the labour market for young people: most apprenticeship places go to those who are already employed (61%), and in 2018/19, 46% of apprenticeship starts went to those aged 25 and over.

Prior the introduction of the Apprenticeship Levy and associated funding reforms, the IFS warned²⁰ that changes to the funding regime would further incentivise employers to take on older apprentices: under the old funding regime, 100% of training costs were subsidised for 16–18-year-olds, 50% of training costs for 19–23-year-olds; and 40%²¹ of training costs for

apprentices aged 24 and over. This has led to Apprenticeship Levy employers increasingly focusing their investment on providing apprenticeship training to older, and in many cases already highly experienced and qualified, workers, evidenced by the growing numbers of apprenticeships in leadership and management and other professional training. While overall starts have remained lower than pre-levy figures, apprenticeship starts began to pick up between 2017/18 and 2018/19, but only for higher apprenticeships for those aged 25 and over.

To ensure that a greater share of apprenticeship opportunities go to younger apprentices, as well as older apprentices who are low-skilled, the Government should require employers to co-invest 50% of the training costs (outside of levy funding) for apprentices aged over 25 who already have a qualification at Level 3 or above. In addition, for levy-paying employers, the training costs of apprentices aged 16–18 should be fully funded by government funding rather than levy funding.

Remove any narrow or overlapping apprenticeship standards

It has been reported that too many apprenticeship standards are narrow and overlapping, restricting the extent to which apprentices gain transferable skills.²² A recent report suggests that almost 40% of new standards approved by the Government since 2012 would not meet the international or historical definition of an apprenticeship.²³

The proliferation of apprenticeship standards is a further indicator of lack of occupation breadth – there are now 554 standards approved for delivery, with over 100 in development. This compares with just 200 apprenticeship occupations in Austria, 320 in Germany, 230 in Switzerland, and around 100 in Denmark.²⁴

The Government should rationalise the number of apprenticeship standards so that they are aligned with countries with more established systems, ensuring that apprenticeships are focused at Level 3 and above, with a minimum duration of two years, and provide entry to a skilled occupation or trade. Where training at Level 2 is required, this should be as a pathway to a Level 3 apprenticeship.

Put more consistent and explicit focus in apprenticeship standards on the development of broader transferable ‘essential’ skills alongside technical skills

CIPD [research](#)²⁵ shows that employers value essential skills such as teamwork, problem-solving, leadership and communication (listening and speaking) more than technical/job-specific skills when recruiting. Yet the lack of a common language and framework for how these types of skills are defined, measured, assessed and developed is a barrier holding back individuals, educators and business. To bridge this gap, the CIPD came together with several influential organisations to form the Essential Skills Taskforce,²⁶ and recently launched a [universal framework of essential skills](#).

As part of the [research](#)²⁷ to develop the universal framework, the Skills Builder Partnership reviewed a number of apprenticeship standards and found that while many included essential skills, they were not defined in a consistent way and lacked specificity, which meant that they were often too broad to be useful. There is a need to ensure that there is a common core of essential skills in all apprenticeship standards. The Government should ensure core essential skills are embedded in a consistent manner within apprenticeship standards, drawing on the universal framework of essential skills.

Support greater collaboration through strengthened sectoral and local skills partnerships

Alongside investment at the local level, there is a need for action at national and sectoral level too. Almost every other country sees the need to organise employers around skills, work and economic development. Without collective organisation to support skills forecasting, co-production, and efforts to deliver economic development/business improvement and productivity improvement, most policies in these areas are doomed to operate sub-optimally. In the case of apprenticeships, for instance, we have previously argued that issues around quality are compounded in the UK, and in particular in England, by the lack of an institutional framework and industry-led institutions that can support collective commitment to skills and apprenticeships.

An increasingly employer-led system, in this context, means that demand is often weak and poorly articulated and is driven by the needs of individual employers rather than addressing sector-wide skills gaps/shortages. There is a clear need to develop strong institutions to better articulate demand and shape provision. The Government should use the upcoming FE white paper to strengthen employer engagement in the skills system at the sectoral and local level.

Notes

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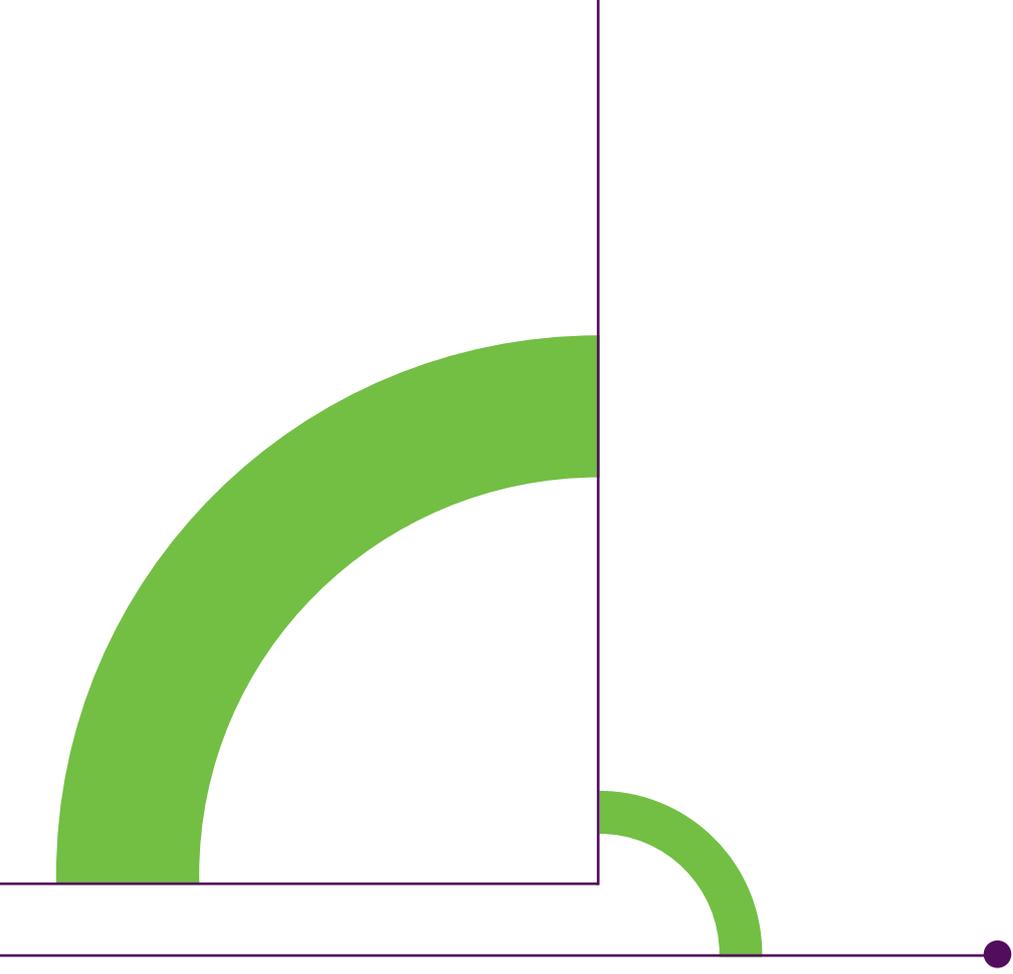
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¹⁷ HM Treasury. (2020) [A Plan for Jobs 2020](#).

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