

# TRADE SECRETS

How to reboot apprenticeships and kick-start the recovery

August 2020



Trade Secrets  
How to reboot apprenticeships and kick-start the recovery  
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Published by the Centre for Social Justice,  
Kings Buildings, 16 Smith Square, Westminster, SW1P 3HQ  
[www.centreforsocialjustice.org.uk](http://www.centreforsocialjustice.org.uk)  
@CSJthinktank

[designbysoapbox.com](http://designbysoapbox.com)

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# About the Centre for Social Justice

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential.

The majority of the CSJ's work is organised around five 'pathways to poverty', first identified in our ground-breaking 2007 report Breakthrough Britain. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, in March 2013, the CSJ report 'It Happens Here' shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the Government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners and policy-makers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2020 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.



# Acknowledgements

We would like to extend an enormous thank you to Christopher Nieper OBE, without whom this work would not have been possible.

We would also like to thank all the individuals and organisations who took the time to help inform our report.

# Foreword

Apprenticeships change lives. They combine a real job with training so that people can earn while they learn. They span a huge range of sectors – not just the important traditional heartlands of engineering and manufacturing, but finance, software design and the green economy, too. They have extraordinary returns for all involved: apprentices go on to have excellent employment prospects, businesses benefit from new expertise, and every £1 invested in level 3 apprenticeships brings a £28 return to the wider economy. They're about as close to a win-win as it gets.

In truth, I was over the moon when the Prime Minister recently expressed his support for an apprenticeship guarantee – something I have been campaigning for over many years. This, of course, raises a number of questions about what we mean by a guarantee. It could, for example, mean guaranteeing funding for employers who want to offer apprenticeships, or guaranteeing young people apprenticeships if there are ones available. However, I would like to see something much more ambitious: a recasting of our skills priorities to place apprenticeships front and centre of the way in which we train people.

I know this will not be possible from day one, but I want us to work towards being able to guarantee that any young person who wants an apprenticeship, and who has the right skills and qualifications to complete one, can make it happen. That would *truly* be an apprenticeship guarantee.

This excellent new CSJ report crafts a clear pathway to such an end. It allows us to pinpoint the challenges that stand in the way of this ambition – particularly when it comes to supporting society's most disadvantaged individuals. It is brimming with ideas that will help us to build a much stronger apprenticeships offer. It does all of this at a precarious time for our nation, when we look to recover from a devastating blow to our economy and retrain for the future.

I'd like to highlight three areas in particular – but as you will see from this report, there is much more still.

First, we should support far more small businesses to take on apprentices. The Chancellor has taken a historic, brave decision to protect businesses, particularly smaller ones, during lockdown. As we move forward, we should bring those businesses together with the extraordinary talent of our young people to develop new opportunities for growth. There really is potential here: we know that tens of thousands of small businesses want to set up apprenticeships but cannot afford the training costs associated with this. We don't need to stimulate demand here – it already exists; we just need to set it free. The Government has the power to make this happen by supporting them with the training costs of those apprenticeships.

Second, the public sector should set a much stronger example. We saw what an incredible job apprentices did in the NHS, and in other front-line services, during the pandemic. The Government should build on the fine legacy forged by these individuals. At the very least, it should meet its current workforce target for apprentices. But I think it should go much further and set itself a more ambitious goal. Public sector recruiters should be more innovative when thinking about how they can meet their emerging needs by taking on apprentices, and we must hold them to account – be that to the Education Select Committee or another forum. We can also make much better use of public procurement to boost apprenticeships, particularly as we start to roll out the exciting flurry of new infrastructure projects that have been announced.

Third, we need more degree apprenticeships – my two favourite words in the English language. I know there are tough times ahead for universities, as there are for other businesses and education institutions. But there is also no better time to embrace a change that I think has been sought for some time. As practically-focused programmes (like the University of Essex's collaboration with Edge Hotel School, or Cardiff University's National Software Academy) have shown, the best graduates for industry are those who have fused theory with practice. A new round of the Degree Apprenticeship Development Fund would go some way to establishing many more programmes like these across the country. But we must also make sure people know about apprenticeships; for this to happen, a much more ambitious approach to careers advice is needed: proper enforcement of the Baker Clause; a UCAS-style system for FE, Skills and Apprenticeships; and far more detailed destinations data.

Some will say that it won't be possible to realise my ambition. It is, of course, easier to point out the obstacles that lie in our path than it is to remove them. But as Sir Nicholas Winton once said: *"If it's not impossible, there must be a way to do it."* Ultimately, there is nothing inevitable about our current approach to apprenticeships; we crafted it and we can easily choose to rebuild it with the right will, ambition and imagination to do so. As the furlough scheme showed only too clearly, the Government is perfectly capable of exercising all three. Apprenticeships should be placed where they belong – right at the core of our approach to learning and training. There are few better ways to climb the ladder of opportunity.

**Rt Hon Robert Halfon, MP for Harlow**

Chair of the Education Select Committee, 2017–present  
Minister of State (apprenticeships and skills), 2016–2017

# Executive summary

The apprenticeship model is a powerful vehicle for prosperity. Cushioned by the security of paid employment, the opportunity to develop new skills, and the tangible prospect of a job beyond that, it offers an ideal environment within which to develop new skills. Apprenticeships increase employability and earning potential, without the heavy weight of student debt tied to learners' futures. They offer a way back for individuals who need to reskill in a fast-changing jobs market. And by tracking demand in the market dynamically, they boost our economy.

They should be right at the heart of our skills and learning infrastructure. And yet we have not yet realised their enormous transformative potential.

First, level 2 (intermediate) apprenticeships are in free fall, and their demise affects disadvantaged people, who are more likely to undertake them. Relatively few level 2 apprenticeships are being approved, levy-paying employers are focusing more on higher-level apprenticeships, and squeezes on funding bands are depressing starts. We fully support raising standards in the apprenticeships sector, as we do in education more generally, and some apprenticeships needed to go. However, good-quality level 2 options boost wages and employability, and offer good returns to the public purse, and we must make sure we have an adequate number of level 2 apprenticeships in the market.

Traineeships could plug some of the gap left by the sharp fall in level 2 apprenticeships, but the existing offer will need to be refined. The model serves as a bridge to training opportunities and jobs, and has demonstrated encouraging impact, but the number of traineeships has declined and awareness of them is relatively low – both among individuals and employers.

While the overall number of apprenticeships dropped by a quarter between 2014/15 and 2018/19, higher-level apprenticeships have in fact grown substantially. Their proliferation should be a good news story. And yet disadvantaged individuals have relatively poor access to them. A number of factors compound this problem: disadvantaged families are less likely to know about them than their peers; careers advice in schools often leans strongly towards academic routes; and university outreach does not focus enough on them.

Another challenge is that our model still does not genuinely reflect SME demand. The apprenticeships system for levy payers is employer-led, but non-levy payers operate in a world in which apprenticeships are effectively capped: they can apply for funding to support training costs but the government limits the number of apprenticeships it supports each month. There is considerable untapped potential for apprenticeships among SMEs (as of January 2020, non-levy payers lacked the resources to fund around 85,000 apprenticeships) and our current approach risks suppressing demand on an imposing scale.

Apprenticeships also lean too heavily towards highly qualified employees, and not enough towards school leavers. One of the numerous reasons for this is that some employers use levy funds to rebadge existing training, or to accredit skills that existing staff already have (according to CSJ/YouGov polling, over one in six levy-paying employers used levy funds to rebadge existing training (17 per cent), or to accredit skills that existing staff already had (18 per cent), in the year prior to being surveyed). While our apprenticeships system should play a part in reskilling established workers, it must not crowd out opportunities for people who are about to join the market – particularly during the pandemic, which is rapidly extinguishing their prospects. The scarring effects of youth unemployment are deep and we must do all we can to avert them.

In addition, pupils know too little about apprenticeships. There is a lack of good quality information, advice and guidance on apprenticeships in schools, and some schools are not adhering to legislation that aims to give pupils more access to information about apprenticeships. Employers, too, are often unaware of the support that exists to help them – according to YouGov/CSJ polling, 43 per cent of those who employ apprentices are not aware of any form of financial support available to them.

But it is not just knowledge gaps that scupper more people's chances of benefiting from apprenticeships; part of the problem also lies in the lack of training options available. There are plenty of excellent training providers. We need more providers like this, to create a dynamic market and fuel more premium apprenticeships. However, the current market is a patchwork of varying quality and employers sometimes struggle to find providers.

Non-completion, too, is a problem. Around a third of apprentices who reach the end of their terms have not officially finished their apprenticeships. There are many reasons why this might happen. Some apprentices are offered non-apprenticeship employment before officially completing their apprenticeships, while others are awaiting assessment or have not yet made sufficient progress. However, in other cases, individuals drop out for avoidable reasons. Some report that they do not receive the right training, or that they do not get adequate support on the job. Others struggle with costs – particularly in relation to transport – and some report that they are not receiving the correct minimum wage.

Lastly, some standards are left without end point assessment organisations attached to them. And several different bodies are involved in the external quality assurance of end point assessments, which means the overall system of quality assurance is littered with inconsistency.

It is time to address these challenges, and in doing so to fully realise the enormous transformative potential that exists in the apprenticeships model. Apprenticeships should be right at the core of the way people might choose to learn and retrain, and we should incorporate them far more prevalently into our education system than is currently the case. In our report, we offer a series of recommendations that would help achieve this.

## A note on Covid-19

Even prior to the pandemic, there were compelling reasons to invest more in our apprenticeships offer, as we have outlined above. They are now more compelling than ever.

The pandemic has dealt the economy a hammer blow. As we pick ourselves up from lockdown, our jobs market will not resemble the one we previously occupied. Between February and April 2020, GDP fell by an eye-watering 25 per cent.<sup>1</sup> At the time of writing, 8.7 million people had been furloughed at a monthly cost of £10.5 billion between April and June 2020, and a projected overall cost of £60 billion by the time the scheme winds down.<sup>2</sup> And between 16 March and 19 May 2020, there were 2.8 million Universal Credit claims (which works out at around 43,000 a day – up from 11,000 a day between 1 March and 15 March).<sup>3</sup>

But there is more still. Around 800,000 young people aged 18–24 are expected to join the labour market this year, only to face a barren landscape; according to one projection, the number of 18–24-year-olds not in education, employment or training could rise to one million in the next year.<sup>4</sup> All these individuals will need to train quickly, both to meet emerging demand in sectors that are still growing despite the pandemic, and to capitalise on new jobs as the economy bounces back.

The government will, of course, need to devise a full range of employment and training options, and apprenticeships will not be suitable for everyone. But they should be right at the heart of the recovery. They give people the opportunity to develop new skills, and the tangible prospect of a job beyond that, without incurring any debt. And they track demand in the market dynamically, therefore helping to boost our economy.

However, the government must act quickly if apprenticeships are to play their part. The apprenticeships sector is already reeling from the pandemic. As of April 2020, only 39 per cent of apprenticeships were continuing as normal, 8 per cent of apprentices had been made redundant, and just 58 per cent of employers were confident all their apprentices would return once economic restrictions were relaxed.<sup>5</sup> As the blizzard of events continues to unfold, employers are likely to be highly risk averse when it comes to investing in training.

The government will, therefore, need to dramatically reduce the risk of investing in apprenticeships, at least until employers build more confidence in the economy. And if the net result of these measures is a spike in apprenticeships, we could also see a long-term cultural shift towards more vocational training – and with it, a more seamless alignment between our skills gaps and the training people undertake.

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1 Office for Budget Responsibility, Public Sector Finances: May 2020, accessed via: <https://obr.uk/docs/June-2020-Commentary-on-the-public-sector-finances.pdf>

2 Office for Budget Responsibility, Coronavirus policy monitoring database, 4 June 2020, accessed via: <https://obr.uk/coronavirus-analysis/>

3 Ibid

4 Learning and Work Institute, 2020, Emergency Exit: How we get Britain back to work, accessed via: <https://learningandwork.org.uk/news-and-policy/introduce-plan-for-jobs-to-prevent-great-depression-levels-of-unemployment/>

5 The Sutton Trust, 2020, COVID-19 and Social Mobility Impact Brief #3: Apprenticeships [Accessed via: [www.suttontrust.com/wp-content/uploads/2020/05/Covid-19-Impacts-Apprenticeships.pdf](http://www.suttontrust.com/wp-content/uploads/2020/05/Covid-19-Impacts-Apprenticeships.pdf)]

In particular, it should pay strong regard to school leavers and young adults. Our current system already favours more mature (and often higher skilled) workers, and according to CSJ/YouGov polling, over one in six levy-paying employers used levy funds to rebadge existing training (17 per cent), or to accredit skills that existing staff already had (18 per cent), in the year prior to being surveyed.<sup>6</sup> At the same time, school leavers face an increasingly challenging jobs market, and young adults are particularly susceptible to being furloughed or losing their jobs.<sup>7</sup> If we are to avert the deep scarring effects associated with prolonged youth unemployment,<sup>8</sup> we must make sure we have a bespoke offer for this group, and apprenticeships policy can play a major part in this.

There are plenty of ways the government could hoist numbers up to a healthier level. It could, for instance, promote apprenticeships to fill public-sector vacancies – for example in nursing and teaching. It could also harness major infrastructure projects, including plans to expand high-speed broadband, rebuild schools, develop green buses and deliver HS2; many of the jobs associated with these projects would be well suited to the apprenticeship model. And where the government contracts out to private providers, it could promote apprenticeships in the terms of its offer; given that it spends £255 billion a year (around a third of public spending) on procurement,<sup>9</sup> there is substantial opportunity here.

And SMEs, too, could play a powerful role in the recovery – but only if we set demand free. SMEs represent over 99 per cent of employers in the UK,<sup>10</sup> and there is considerable untapped potential for apprenticeships among these employers. But our current approach limits the number that get off the ground because non-levy payers operate in a world in which access to government-backed training provision is capped. We need a truly demand-led system, where apprenticeship numbers flow to their natural destinations.

In our report, we outline several radical recommendations aimed specifically at putting apprenticeships at the heart of our recovery from the pandemic, as well as proposals that aim to realise the full potential that exists in apprenticeships more generally.

6 NB: these figures exclude respondents who didn't know how they spent the levy. YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

7 Learning and Work Institute, 2020, Emergency Exit: How we get Britain back to work, accessed via: <https://learningandwork.org.uk/news-and-policy/introduce-plan-for-jobs-to-prevent-great-depression-levels-of-unemployment/>

8 See, for example, Bell and Blanchflower 2011, Young people and the Great Recession, accessed via: <https://academic.oup.com/oxrep/article-abstract/27/2/241/429358>

9 House of Commons Library, 2018, Public procurement and contracts, accessed via: <https://commonslibrary.parliament.uk/research-briefings/sn06029/>

10 House of Commons Library, 2019, Business statistics [Accessed via: <https://commonslibrary.parliament.uk/research-briefings/sn06152/>]

# Recommendations

## Recommendation 1

IfATE should review the way it sets funding bands, and should promptly sign off new level 2 standards where there is demand for them.

- We hold no preconceived notion about what a ‘good’ number of level 2 apprenticeships is; their volume should be contingent on demand and quality. Some lower-level apprenticeships lacked rigour, and we fully support the notion that we should be raising standards in the apprenticeships sector, as we are in our education system more generally.
- However, we are concerned that in some cases, good quality apprenticeships are being compromised, and that we are shutting down access for disadvantaged learners (who are more likely to undertake level 2 apprenticeships than their peers). Viewed as a whole, level 2 apprenticeships offer good wage returns and returns to the taxpayer.
- There is a real risk that some bands do not reflect the cost of good quality delivery, and that cuts have had a depressing effect on starts, particularly at level 2. The Institute for Apprenticeships and Technical Education (IfATE) should revise its methodology when setting funding bands so that:
  - bands are based on detailed, independent market analysis;
  - lowest moderate training provider/EPAO quotes are not used as proxies for costs; and
  - the appeals process places more emphasis on the cost of good quality delivery.It should also assess what impact funding band cuts have had on the quality and number of relevant apprenticeships, and should revise bands accordingly.
- IfATE should promptly approve new level 2 standards where there is demand from employers for them.

## Recommendation 2

Good quality frameworks that are meeting employer demand should not be switched off in 2020 unless commensurate standards are put in place.

- All frameworks will be switched off on 31 July 2020. Some of these frameworks are in demand from employers but do not have equivalent standards in place, and some employers are concerned there will not be enough standards to meet their needs. DfE should assess which frameworks fall into this category, and should:
  - a. allow them to operate for longer until commensurate standards are in place; and
  - b. in the meantime, work with employers to create an equivalent standard in each case.

## Recommendation 3

The government should refine and expand its traineeships offer.

- If we are to avert the deep scarring effects associated with prolonged youth unemployment, we must make sure we have a bespoke offer for this group, and traineeships can play a part in this. The government should expand traineeships and there are two immediate reasons why it may need to do this:
  - in light of the recent sharp drop in level 2 apprenticeships, there are fewer lower-level options that could serve as stepping stones to other apprenticeships and opportunities; and
  - as a result of the pandemic, school leavers face an increasingly sparse jobs market, and young adults are particularly susceptible to being furloughed or losing their jobs.
- We strongly welcome the government's announcement that it will expand the traineeship programme from September 2020. This will bring much needed impetus to a form of skills development that has demonstrable positive returns, and will do so at a time when young people face a highly challenging jobs market.
- To make sure traineeships have their desired reach, however, they need to be republicised as routes into work or apprenticeships, both at the employer and individual level (the evidence suggests that clearly communicating the opportunities that flow from traineeships boosts uptake). The government should promote traineeships more strongly to employers, and should work with providers to advertise them locally. They should also make sure traineeships are hardwired into work coaches' training, and that coaches are encouraged to promote this option strongly.
- Individuals who complete traineeships are not awarded official qualifications for traineeships per se, which sometimes makes it difficult for other employers to know what any given traineeship might signal in the way of skills and knowledge acquired. Traineeships vary substantially in length and in some cases, it may not be feasible

to embed existing qualifications into them; however, where traineeships are longer in duration, there should be a strong expectation for providers to wrap suitable qualifications into their offers. In addition, digital skills packages should be weaved more prominently into all traineeships where feasible.

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#### **Recommendation 4**

The government should work with employers to build, and support the associated costs of, more pre-apprenticeship training.

- Many of the elements of traineeships are evident in these programmes, and they help bridge to other opportunities. Such is the case, for instance, with the Co-Op, which offers a four-month pre-apprenticeship programme before which potential apprentices are offered apprenticeships between the levels of 2–4.

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#### **Recommendation 5**

The government should introduce another round of the Degree Apprenticeship Development Fund to identify, and help meet, latent demand for degree apprenticeships.

- If we are to extend degree-level apprenticeships to more people, we must support them to flourish where this meets tangible market need. The number of higher-level options is still small (there were around 22,479 level 6/7 starts according to the most recent year-on-year figures).
- This is particularly true when compared to higher education more generally. The number of people completing university degrees in the UK rose from 495,325 to 585,010 in the last six years; many of those courses confer a good return, but others do not. We also have a high rate of overqualification (15 per cent of workers are in jobs for which lower qualifications are typically required) and only three fifths of first degree, full-time graduates have permanent contracts 6 months after leaving university. A degree apprenticeship offers a valuable alternative that is linked to good job opportunities, without the prospect of large student debts tied to learners' futures.
- In no small measure, the rise of degree apprentices was driven by the introduction of the Degree Apprenticeship Development Fund (DADF). Set up in 2016, the first round of this fund offered providers £4.5 million to create a stronger market for degree apprenticeships where demand was likely to be high; create partnerships to strengthen degree apprenticeship growth; and establish capacity and expertise to deliver a high volume of degree apprenticeships across higher education institutions (HEIs). The second round (£4.9 million) focused more strongly on promoting better access for disadvantaged learners, and on boosting the profile of apprenticeships.
- An official evaluation of the DADF fund suggested that it had generated positive impact in meeting many of its goals. It helped generate HEI buy-in at senior level, supported the development of appropriate infrastructure, and allowed stakeholders to build strategic

plans (it is still too soon to gauge its impact on widening participation). By November 2018, after these two waves were complete, there were 4,464 degree apprentice starts, and the number of degree apprenticeships has grown rapidly since.

- The government should introduce another round of the DADF to identify, and help meet, latent demand for degree apprenticeships, and should continue to promote opportunities for disadvantaged individuals. As part of this exercise, officials should work with HEIs to explore the potential for repurposing some of their offers so that they offer more higher-level apprenticeships where this meets market need.

### Recommendation 6

Higher education institutions that offer higher-level apprenticeships should be urged to promote them more strongly in their outreach work.

- A higher education institution (HEI) can only charge maximum tuition fees if it produces an access and participation plan. The purpose of a plan is, in relation to underrepresented groups, to outline how institutions aim to broaden access, support student success, and help students progress into jobs. In 2017/18, the combined access and participation budget for all institutions that had signed access and participation plans was £784.5 million.
- Too few of the targets outlined in access and participation agreements relate to higher-level apprenticeships where providers offer these courses. The OfS should use its leverage to urge them to place more emphasis on these courses in their agreements. We outline below some of the ways in which they could do this:
  - communicate apprenticeships options and financial support on websites/marketing material;
  - use alumni/case studies to demonstrate outcomes associated with apprenticeships;
  - use images that reflect apprentices in marketing material;
  - offer careers advice that is appropriate for people who blend work and off-the-job training;
  - make the enrolment process as user-friendly as possible;
  - offer flexibility (for example, in relation to meeting deadlines, opening libraries on weekends and evenings, and being consistent with timetables); or
  - partner with employers (and engage LEPs) to design courses that are likely to meet local skills needs/have a good return in the market.
- The OfS recently introduced a ‘what works’ centre (the Centre for Transforming Access and Student Outcomes in Higher Education), which provides institutions with a platform for sharing best practice. The OfS should work with HEIs to make sure this platform is also used to share effective methods of engagement when it comes to higher-level apprenticeships. Promoting these apprenticeships requires a different approach, not least because it involves employment, and so institutions would benefit from knowing about any effective techniques in this nascent field of study.

### **Recommendation 7**

Remove the effective cap on government-funded training for SMEs by introducing a specific ring-fenced non-levy budget.

- Our model still does not genuinely reflect SME demand. The apprenticeships system for levy payers is employer-led: employers pay into a levy pot and can reclaim all of this (plus an uplift from government) if they use it to start apprenticeships, and they can draw on further funds if necessary. However, non-levy payers operate in a world in which apprenticeships are effectively capped: they can apply for funding to support training costs but applications will not necessarily be approved, and the government limits the number of apprenticeships it supports each month. There is considerable untapped potential for apprenticeships among non-levy payers: in January 2020, non-levy payers lacked the resources to fund around 85,000 apprenticeships.
- SMEs that are too small to pay the levy represent 97 per cent of organisations in England and we risk suppressing latent demand on an imposing scale. We need a truly demand-led system, where apprenticeship numbers flow to their natural destinations. Because many non-levy payers cannot afford the associated training costs, that will never happen unless the government removes the cap on government-backed training provision. It should instead set up a specific non-levy fund to support the training costs associated with approved apprenticeships (except for people who already hold a degree, for the same reasons we outline in Recommendation 10).
- If the government wanted to limit expenditure, it could consider restricting this offer to certain sectors and occupations where there are skills gaps and shortages – for example social workers, programmers and software developers, IT and communications professionals, web designers/developers, various construction and engineering roles, several creative industries, quantity surveyors, chefs or nurses.

### **Recommendation 8**

Introduce a time-limited wage subsidy for new 16–24-year-old apprentices.

- The apprenticeships sector is already reeling from the pandemic. As of April 2020, only 39 per cent of apprenticeships were continuing as normal, 8 per cent of apprentices had been made redundant, and just 58 per cent of employers were confident all their apprentices would return once economic restrictions were relaxed. As the blizzard of events continues to unfold, employers are likely to be highly risk averse when it comes to investing in training.
- The government should introduce a time-limited wage subsidy for 16–24-year old apprentices. It should focus on this group because school leavers face a sparse jobs market, and young adults are particularly susceptible to unemployment or being furloughed. It should set this subsidy at 75 per cent of wages. This would significantly

de-risk the investment, while retaining buy-in from employers (and incentivising them to wage bargain, which would temper wage inflation). There should be a ceiling, equivalent to the average pay for a level 6 apprenticeship (£17,875), which too would help deflect potential inflationary effects associated with a subsidised offer.

- To minimise 'fire and re-hire', any employer who, after the scheme's announcement, made an apprentice redundant during the scheme's lifecycle, would no longer be able to benefit from it. Employers could be allowed to rehire apprentices whom they have made redundant during the pandemic (but prior to the announcement of the scheme).
- If the government wanted to limit expenditure, it could consider restricting this offer to certain sectors and occupations where there are skills gaps and shortages – for example social workers, programmers and software developers, IT and communications professionals, web designers/developers, various construction/engineering roles, several creative industries, secondary education teaching professionals, quantity surveyors, chefs or nurses.
- If the net result of these measures is a spike in apprenticeships, we could also see a long-term cultural shift towards more vocational training – and with it, a more seamless alignment between our skills gaps and the training people undertake.

### Recommendation 9

Harness the government's role as an enormous public sector employer.

- The government has extraordinary leverage over training opportunities in the public sector. In 2017, it issued a public sector target for apprenticeships: between 1 April 2017 and 31 March 2021, public sector bodies in England with 250+ staff should aim to employ at least 2.3 per cent of their headcount as new apprentices each year (averaged over the four-year period). The latest available statistics suggested that many public bodies would have to make up significant ground to achieve this; in 2017/2018, just 11 per cent of them had met this goal.
- There are plenty of ways the government could hoist numbers up to a healthier level. It could, for instance, promote apprenticeships to fill public-sector vacancies – for example in nursing and teaching. The current number of NHS vacancies stands at 100,500 in 2019, and is particularly high in the nursing workforce, and some observers estimate that there are 43,617 vacancies for nurses. In 2018/19, there were only 220 starts on the "teacher" (level 6) apprenticeship standards, which amounts to just 0.049 per cent of the workforce in state-funded schools.
- It could also harness major infrastructure projects, including plans to expand high-speed broadband, rebuild schools, develop green buses and deliver HS2; many of the jobs associated with these projects would be well suited to the apprenticeship model.

And where the government contracts out to private providers, it could promote apprenticeships in the terms of its offer; given that it spends £255 billion a year (around a third of public spending) on procurement, there is substantial opportunity here.

- The government should also revise its public sector apprenticeships targets to place more emphasis on completion, rather than starts. As we outline later in this report, the non-continuation rate for apprenticeships is already high; by pursuing a public sector target figure that is predicated on starts rather than completion, there is a risk that some new apprentices may not be properly assessed for their suitability, or that suitable apprentices may not always receive the support they need to complete.

### **Recommendation 10**

The government should rebalance the levy so that it supports more young people.

- The mix of apprenticeships has, in recent years, been leaning away from school leavers and younger individuals, and more heavily towards older (and increasingly often highly skilled) individuals. In addition, according to CSJ/YouGov polling, over one in six levy-paying employers used levy funds to rebadge existing training (17 per cent), or to accredit skills that existing staff already had (18 per cent), in the year prior to being surveyed. While our apprenticeships system should play a part in reskilling established workers, it must not crowd out opportunities for people who are about to join the market – particularly during the pandemic, which is rapidly extinguishing their prospects.
- Accordingly, individuals who hold an existing degree-level qualification should not be able to draw down on apprenticeship funds to undertake a degree-level apprenticeship (including funds from the new non-levy budget we propose above). These individuals should, instead, have access to student finance to support the costs of their degree-level apprenticeships.
- In addition, the government (rather than employers) should fund the training costs associated with all 16–18-year old apprentices. All pupils are now obliged to remain in education or training until they are 18 and it should support the educational development of apprentices during this time.

### **Recommendation 11**

All training providers should carry out rigorous assessments of prior learning before taking on new apprentices.

- The DfE and ESFA have taken some measures to prevent the use of apprenticeships to accredit existing skills. For instance, the ESFA has started to sanction training providers if they do not recognise prior learning. We learned from a freedom of information request that, between 1 May 2019 and 14 June 2019, the ESFA audited 41 providers who either “may” not have adhered to the ESFA’s rules on recognition of prior learning,

or whose “control environment” could have been improved. Of these 41 providers, 25 (60 per cent) were deemed not to have adhered to the rules in at least one case. In total, these providers were sanctioned to the tune of £46,000.

- We welcome this more robust recent approach to ensuring prior learning is recognised. However, a subsequent Freedom of Information request cast some doubt as to whether a similarly tough approach had been taken from 15 June 2019 (our response seemed to indicate that no fines were issued between then and November 2019). If it is the case that measures have been relaxed, we strongly urge the ESFA to adopt its former, more robust, stance on the matter.

### Recommendation 12

The government should introduce a broader and deeper system of information, guidance and advice for apprenticeships.

- Much more needs to be done if we are to forge genuine parity between academic and vocational routes when it comes to the careers advice we offer our pupils. The Careers and Enterprise Company (CEC) was created in 2015 and its mission is to “prepare and inspire young people for the fast-changing world of work”. The CEC’s initial remit has grown quickly, and it now controls considerable resources. Given its reach, the CEC should play a more prominent role in promoting apprenticeships than it currently does.
- DfE should, therefore, place a stronger emphasis on apprenticeships in its funding agreement with the CEC. The latest funding agreement only mentions apprenticeships once. This relates to a key performance indicator that says the CEC should set up a “FE Steering Group to integrate ITPs and apprenticeship sector” – which itself sits among a broader suite of other KPIs that together have drawn £75,000 of an annual budget of £28.8 million. While some of the other budgeted activities may also help pupils develop their awareness of apprenticeships, there should be a much stronger strategic emphasis on raising the profile of apprenticeships, specifically.
- While the government collects outcomes data on returns to different courses, the information that flows from this data into the public domain is not always as concise, granular and accessible as it could be – particularly when it comes to vocational options. It is, therefore, difficult for members of the public to readily distil reliable data about the likely returns in each case. Not only does this potentially impede the quality of decisions people make about their futures; it also potentially undermines the brand power of some routes by obscuring their returns from plain site. Once it has the data to do so, the government should publish consolidated outcomes data (including on average wages, destinations, and employment at several longitudinal intervals) for all apprenticeship standards in a user-friendly format.

### **Recommendation 13**

The government should implement the 'Baker clause' more fully.

- In 2017, what became known as the "Baker Clause" was added to the Technical and Further Education Act 2017. According to this amendment, schools must allow an opportunity for colleges and training providers to engage pupils in years 8 to 13 to discuss approved technical education qualifications or apprenticeships. The same provision also obliges schools to publish policy statements outlining the arrangements they have made to allow colleges and training providers to engage their pupils, and the measures they have put in place to ensure their policies are followed. However, some schools are still not adhering to these requirements.
- The government's response to non-compliance has tended to be relatively sparse and lenient. For example, in response to a Freedom of Information request, the DfE confirmed that no action was taken against schools in England that failed to comply with the Baker clause between 2 January 2018 and 2 January 2019, and the department had instead written letters to five of the largest multi-academy trusts to remind them of their obligations. The DfE should take a more robust stance in cases of non-compliance, and should use the full force of its powers to intervene where it is clear that schools are not complying.

### **Recommendation 14**

The new digital Apprenticeship Service should build in automated messages to inform employers about the support that is available to them.

- Some of the support available to employers is substantial. For instance, an organisation that employs an apprentice at age 24, on the median apprentice salary for a level 4 apprenticeship, could save nearly £2,022 through the Class 1 National Insurance exemption alone. But this is not an automatic benefit and employers must apply for the relief.
- In the government's budget statement on 11 March 2020, it committed £5 million to improve the capacity and functionality of its digital Apprenticeship Service. It should use some of these funds to integrate automatic pop-ups to inform registered employers of the support available to them.
- The new digital Apprenticeship Service should also include a productivity calculator to demonstrate the likely return on investment on different apprenticeships. Harper Adams University has already devised such a tool for degree apprenticeships, and the DfE should devise an equivalent tool for all apprenticeships, based on the latest labour market information.

### Recommendation 15

New providers should receive a monitoring visit from Ofsted within 12 months of being approved to deliver apprenticeship training.

- Ofsted introduced 'monitoring visits' for new providers in November 2017. The measures were aimed at addressing concerns about quality assurance after the rapid growth of providers that followed the levy's introduction. Instead of waiting the normal 36 months before carrying out routine inspections, Ofsted started to conduct monitoring visits 24 months after new market entrants had registered as providers. Rather than covering all aspects of inspection, they focus on three main criteria: leadership and management, quality of training/education, and safeguarding.
- A large number of new market entrants make insufficient progress. Between 1 February 2018 and 31 March 2020, 540 new apprenticeship providers had visits, 21.5 per cent of whom were classed as having made insufficient progress in at least one of the three areas covered. As of July 2020, 45 registered apprenticeship providers had been banned from offering new apprenticeships as a result of Ofsted inspections that deemed their offer to be too poor.
- It is crucial that we maintain a high standard of training provision. 24 months is far too long to wait before monitoring visits take place for new providers, and should instead take place within 12 months of activity. This would give inspectors enough material from which to build a good impression of quality, and would allow providers to make necessary changes promptly.

### Recommendation 16

The government should pump prime the training provider market where there is unmet need, and should encourage the further use of digital innovations borne out of the pandemic.

- There are many excellent training providers; as of 31 August 2019, Ofsted had inspected around half of the 1,400 providers that had apprenticeship provision and 83 per cent of these providers were rated "good" or "outstanding". However, in-year full inspection data in the last five years varies substantially, and there are concerns that some more recently inspected providers are not performing very well. In total, the percentage of providers that were rated "good" or "outstanding" fell in each year since 2015/16, and in 2018/19 this rate was just 56 per cent. We also know that in some cases, employers have very few local options when it comes to securing a training provider for a particular standard.

- IfATE should carry out a comprehensive market analysis to assess the availability and quality of training provision across the country, and should pump prime the market where there is unmet need. As part of this venture, it should set up a seed fund for promising start-ups and an investment fund to support high-quality established providers to expand.
- In response to the coronavirus pandemic, some training providers have been able to successfully migrate training online, and this has also supported the development of apprentices' digital skills. Not all training provision is suited to online learning; however, where it is, it can play an important role in mitigating geographical barriers, which can cause problems for some employers. The department should support providers to roll-out online delivery where there is scope to do so, and where this mode of learning complements and enhances the quality of training on offer.

### **Recommendation 17**

The government should introduce a concessionary scheme to help disadvantaged apprentices' meet their transport costs.

- Travel costs can pose a significant barrier for some apprenticeships, particularly when they live in less accessible parts of the country. Although there are some localised transport subsidy schemes, and larger ones in devolved authorities, there are still many apprentices in the country who do not have access to support. The government should introduce a concessionary scheme to subsidise transport for disadvantaged apprentices.

### **Recommendation 18**

The digital Apprenticeship Service should build in automated messages to inform employers about changes to apprentices' minimum wages as they progress.

- The national minimum wage for all apprentices is £4.15 in their first year, regardless of age. After their first year, apprentices must be paid at least the national minimum wage, which is £4.55 for under 18s, £6.45 for individuals aged 18–20, and £8.20 for anyone between the ages of 21 and 24.
- However, according to the Apprentice Pay Survey in England in 2016, 18 per cent of apprentices report that they were paid below the appropriate wage for level 2 and level 3 apprenticeships, an increase of 3 per cent since 2014. And 18 per cent of apprentices who worked overtime report that they did not get paid for any of their overtime hours.
- In the government's budget statement on 11 March 2020, it committed £5 million to improve the capacity and functionality of its digital Apprenticeship Service, and enable it to "transition to an employer-led model". It should use some of these funds to

integrate automatic pop ups into the digital service, which would remind employers of the minimum wage changes that accompany each apprentice as they progress through their apprenticeships.

- HMRC should also continue its current drive to investigate all complaints raised about employers who purposely circumvent the minimum wage, and should continue to impose rigorous sanctions where employers have been found to be doing this.

### Recommendation 19

The government should take a firmer stance when EPAOs renege on assessment commitments, and EPAOs should be involved more prominently when assessment plans are being formed.

- A concerning large number of apprentices start on standards that do not have EPAOs assigned to them, including at lower levels where apprenticeships tend to be shorter. In addition, an unacceptably large number of EPAOs drop their initial assessment commitments, having initially pledged to assess apprentices on a given standard.
- Nowhere else in our education system do we expect people to study without reference to a clear notion of how they will be assessed. It is the equivalent of an A-level student starting an A-level without knowing who will assess them and how.
- The government should take a firmer stance on non-delivery. EPAOs that commit to assessing standards should be expected to deliver on those pledges, unless there is a very compelling business case for not being able to do so.
- Some EPAOs may avoid meeting their initial commitments because some apprenticeship standards draw a lower number of apprentices than initially anticipated. In some cases, these pressures may have been avoided by better planning at a standard's development stage; as Ofqual has reported, some assessment plans "currently in use would benefit from strengthening." EPAOs should be consulted as a matter of course when devising assessment plans. Standards should have EPAOs assigned to them when signed off, together with clear expectations about the nature of assessment.

### Recommendation 20

Ofqual should be the sole quality assuring body for end point assessment organisations.

- Several different external quality assurance (EQA) bodies are involved in the regulation of end point assessment organisations (EPAOs). There were 20 EQA organisations at the time of writing (with 15 others to be confirmed for individual standards).

- The convoluted nature of our approach to regulating EPAOs is further exacerbated by the fact that the IfATE:
  - a. quality assures some EPAOs in its own right (as of July 2020, 50.2 per cent of all standard assessments are quality assured by IfATE, in relation to 286 approved standards); and
  - b. is also responsible for overseeing overall EQA, with the aim of aligning EQA providers' respective approaches.
- This fragmented system of oversight is littered with inconsistency, and should be reformed. The government should appoint Ofqual as the sole quality assuring body for all EPAOs.

## chapter one

# Apprenticeships have strong transformative power

### 1.1 An overview of our apprenticeships system

Apprenticeships allow individuals to combine employment with structured learning, both on-the-job and through external study. Apprentices carry out paid work. Their on-the-job training is moulded towards employers' needs but employers must follow guidelines when designing job roles.<sup>11</sup> Apprentices also spend a fifth of their time training and/or studying towards a formal qualification; approved training providers are typically responsible for this aspect of their development, which they provide either on- or off-site.<sup>12</sup>

Apprenticeships last between one and five years, depending on their level and the sector in which they take place.<sup>13</sup> They are categorised by level, each of which broadly equates to a different stage of educational attainment. They exist in a wide range of industries and, as of 12 June 2020, include more than 552 standards.<sup>14,15</sup>

Table 1: Apprenticeship categories

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes at grades A*–C
Advanced	3	2 A level passes
Higher	4, 5, 6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree

Source: DfE<sup>16</sup>

11 Department for Education (DfE), *Become an Apprentice*, 2016 [Accessed via: [www.gov.uk/apprenticeships-guide/overview](http://www.gov.uk/apprenticeships-guide/overview)].

12 DfE, *Become an Apprentice*, 2016 [Accessed via: [www.gov.uk/apprenticeships-guide/overview](http://www.gov.uk/apprenticeships-guide/overview)].

13 DfE, *Become an Apprentice*, 2016 [Accessed via: [www.gov.uk/apprenticeships-guide/overview](http://www.gov.uk/apprenticeships-guide/overview)].

14 Skills Funding Agency, *A Guide to Apprenticeships*, 2016 [Accessed via: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/471383/Apprenticeships\\_Learner\\_Brochure\\_\\_updated\\_October\\_\\_15\\_.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/471383/Apprenticeships_Learner_Brochure__updated_October__15_.pdf)].

15 IfATE, 2020, Search the apprenticeship standards [Accessed via: [www.instituteforapprenticeships.org/apprenticeship-standards/?includeApprovedForDelivery=true](http://www.instituteforapprenticeships.org/apprenticeship-standards/?includeApprovedForDelivery=true)].

16 DfE, 2016, *Become and apprentice* [Accessed via: [www.gov.uk/apprenticeships-guide/overview](http://www.gov.uk/apprenticeships-guide/overview)].

The apprenticeships system has been radically overhauled in recent years. Many of these changes flowed from the 'Richard Review' in 2012, which exposed several problems with the way in which apprenticeships were run.<sup>17</sup> One of the main weaknesses was that apprenticeships were not employer-led, either in their construction or delivery, and were instead shaped by training professionals in government.<sup>18</sup> As a result, there was greater scope for mismatch between the programmes offered and skills needs in the economy. In addition, assessment lacked rigour: instead of practical tests and declarations of competency, apprenticeships were characterised by drawn out, time-consuming progress reviews (often just paper tests) which led to a "welter of qualifications" for each job role.<sup>19</sup> And in many cases, far too little time was invested in training apprentices.<sup>20</sup>

In response, the government committed to a series of reforms. In May 2015, it started to introduce new apprenticeships, called "standards", which replaced the old "frameworks." Each new standard is employer-led and is designed by a "trailblazer group" (a collection of employers) along with the Institute for Apprenticeships and Technical Education (IfATE) – a non-departmental public body. Trailblazer groups also work with training providers in developing the standard and establish the cost of training, and standards are often signed off with training providers already in place and a plan for how the standard is to be assessed.<sup>21</sup> New standards are assessed in a different way to their predecessors: while frameworks were assessed on an ongoing basis (and often by providers themselves), apprentices who undertake standards are examined at the end of their tenures, at which point independent "end point assessment organisations" assess the skills, knowledge and behaviours they have learned.

At the same time as the government introduced new standards, it also announced the "apprenticeship levy", which moved the day-to-day functioning of the apprenticeship system towards employers. This was introduced in May 2017. Previously, apprenticeships were supply-driven; the government used to tender contracts to training providers, and providers would seek to fill the spaces they had won. Under the new system, employers with annual wage bills exceeding £3 million must contribute 0.5 per cent of the excess above £3 million to a fund known as the "apprenticeship levy".<sup>22</sup> Employers in England are able to recover these sums, together with a 10 per cent uplift from the government, if they use them to pay for apprenticeship training with accredited providers. Separate arrangements are made in Scotland, Wales and Northern Ireland.<sup>23</sup>

Non-levy payers operate in a world in which apprenticeships are effectively capped: they can apply for funding to support training costs but applications will not necessarily be approved, and the government limits the number of apprenticeships it supports each month. Where they are able to unlock government-backed training, they are expected to

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17 DfE, 2012, Richard Review [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34708/richard-review-full.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/34708/richard-review-full.pdf)], pg 7

18 Ibid, pg 7

19 Ibid, pg 3

20 Ibid, pg 10

21 IfATE, Forming a trailblazer group [Accessed via: [www.instituteforapprenticeships.org/developing-new-apprenticeships/forming-a-trailblazer-group/](http://www.instituteforapprenticeships.org/developing-new-apprenticeships/forming-a-trailblazer-group/)]

22 Department for Education, Apprenticeship levy: how it will work, 2016 [Accessed via: [www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work](http://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work)]

23 Ibid

pay a 5 per cent contribution to the cost of training an apprentice, including assessment, and the government meets the outstanding bill, up to the maximum public funding available for the apprenticeship in question.<sup>24</sup> This financial contribution is known as “co-investment”. However, employers with fewer than 50 employees can train 16–18-year-old apprentices without co-investment and in these instances, the government pays for the associated provision and assessments.<sup>25</sup>

Each apprenticeship standard sits within one of 30 funding bands. Any given band establishes the upper limit of what a levy employer can draw down from their levy pots, or the maximum price the government will co-invest towards an bona fide apprenticeship.<sup>26</sup> The cost of end point assessment must also be negotiated between the employer and the End Point Assessment Organisation (EPAO), and the expectation is that this cost does not account for more than 20 per cent of the total cost for the apprentices’ training and assessment.

## 1.2 Apprenticeships improve employability

By allowing people to grow their skills and knowledge, apprenticeships increase employability. In 2019, 93 per cent of people who had completed an apprenticeship were in work.<sup>27</sup> According to one study, people who complete intermediate-level apprenticeships are 7.4 per cent more likely to be employed than those who hold level 1 or 2 qualifications but have not completed apprenticeships;<sup>28</sup> those who complete level 3 apprenticeships are 15.7 per cent more likely to be employed than those who hold level 2 qualifications and have not completed apprenticeships.<sup>29</sup>

Employers, too, benefit from apprenticeships. Better product and service quality, morale, retention, and innovation are all widely cited.<sup>30</sup> According to one DfE survey, 86 per cent of employers report that apprenticeships had helped them develop skills that were relevant to their organisation’s needs; 76 per cent said that apprentices improved their business’s productivity; and 74 per cent reported that apprentices had helped them improve product or service quality.<sup>31</sup>

24 Ibid

25 Ibid

26 IfATE, Allocating a funding band [Accessed via: [www.instituteforapprenticeships.org/developing-new-apprenticeships/allocating-a-funding-band/](http://www.instituteforapprenticeships.org/developing-new-apprenticeships/allocating-a-funding-band/)]

27 DfE, 2019, Apprenticeships Evaluation 2018-19 – Learners [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875553/Apprenticeships\\_Evaluation\\_-\\_Learner\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875553/Apprenticeships_Evaluation_-_Learner_Report.pdf)] NB: 76 per cent were in full-time work. NB: this is not “sustained employment” and provides only a snapshot in time.

28 European Commission, 2013, The Effectiveness and Cost-Benefits of Apprenticeships [Accessed via: [ec.europa.eu/social/BlobServlet?docId=11352&langId=en](http://ec.europa.eu/social/BlobServlet?docId=11352&langId=en)] NB: this was before the introduction of apprenticeship Standards and the apprenticeship levy.

29 Ibid

30 For instance, see: IfATE, Benefits to your organisation [Accessed via: [www.apprenticeships.gov.uk/employer/benefits#](http://www.apprenticeships.gov.uk/employer/benefits#)]; Mieschbuehler, Hooley, Neary, 2015, Employers’ experience of higher apprenticeships: benefits and barriers, University of Derby [Accessed via: <https://derby.openrepository.com/handle/10545/576935>]

31 DfE, Apprenticeships: employer survey 2018–19 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875561/Apprenticeships\\_Evaluation\\_-\\_Employer\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875561/Apprenticeships_Evaluation_-_Employer_Report.pdf)], Figure 8.7

### 1.3 Apprenticeships boost earning potential

There is a positive relationship between apprenticeships and earning power. By age 28, for instance, the average wage for men who have completed a level 2 apprenticeship is 23 per cent higher than it is for those who just left school with GCSEs, and 16 per cent higher than for individuals who left education with level 2 vocational qualification by age 28. For women, the respective figures are 15 per cent and 4 per cent.<sup>32</sup>

**A graduate earns less, on average, five years after graduation (£26,000) than a Level 5 apprentice earns three years after completion (£26,740).**

Individuals who complete level 2 apprenticeships earn, on average, 16 per cent more than those whose highest qualification is one level below,<sup>33</sup> while those who complete level 3 apprenticeships can expect a 16 per cent wage increase compared to people who hold level 2 qualifications.<sup>34</sup> And the returns on higher apprenticeships can outperform academic courses at universities; for example, a graduate earns less, on average, five years after graduation (£26,000)<sup>35</sup> than a Level 5 apprentice earns three years after completion (£26,740).<sup>36</sup>

### 1.4 Apprentices avoid the high debt burdens associated with other forms of learning

Apprentices, including those who undertake higher-level apprenticeships in universities, do not pay tuition fees. Apprenticeships are, therefore, highly attractive from a financial point of view. This is particularly true for more disadvantaged individuals, who are on average more debt averse than their peers and are more likely to be put off learning by the prospect of incurring student debt.<sup>37, 38</sup>

The most recent comprehensive attempt to understand debt aversion in higher education is a DfE-commissioned survey of prospective students who had applied through UCAS. Among other things, the study aimed to gauge the likely impact of the new system of maintenance loans (which replaced maintenance grants) on pupils' decisions to pursue higher education. The data provides us with valuable insights into the nature and prevalence of debt aversion among disadvantaged prospective students. It shows us, for

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32 Sutton Trust, 2017, Better Apprenticeships [Accessed via: [www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf](http://www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf)] NB: after taking into account prior attainment, secondary school attended, demographics and experience.

33 BIS, 2015, Measuring the Net Present Value of Further Education in England [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/435166/bis\\_15\\_323\\_Measuring\\_the\\_Net\\_Present\\_Value\\_of\\_Further\\_Education\\_in\\_England.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/435166/bis_15_323_Measuring_the_Net_Present_Value_of_Further_Education_in_England.pdf)], pg 7

34 Ibid

35 DfE, 2019, Graduate outcomes (LEO): outcomes in 2016 to 2017 [Accessed via: [www.gov.uk/government/statistics/graduate-outcomes-leo-outcomes-in-2016-to-2017](http://www.gov.uk/government/statistics/graduate-outcomes-leo-outcomes-in-2016-to-2017)], Table 1. NB: figures relate to UK domiciled students. This includes students from Scotland, Wales and Northern Ireland, who earn a median income of £26,400.

36 DfE, 2019, Further Education outcome-based success measures: 2016 to 2017, table ET01 [Accessed via: [www.gov.uk/government/statistics/further-education-outcome-based-success-measures-2016-to-2017](http://www.gov.uk/government/statistics/further-education-outcome-based-success-measures-2016-to-2017)]

37 DfE, Influence of finance on higher education decision-making [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/693188/Influence\\_of\\_finance\\_on\\_higher\\_education\\_decision-making.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693188/Influence_of_finance_on_higher_education_decision-making.pdf)]

38 See, for example Callender, C. and Mason, G. 2017, Does student loan debt deter higher education participation? New evidence from England, pg 22–23 [Accessed via: [www.llakes.ac.uk/sites/default/files/58.%20Callender%20and%20Mason.pdf](http://www.llakes.ac.uk/sites/default/files/58.%20Callender%20and%20Mason.pdf)]

example, that some of the most disadvantaged students (12 per cent of students with a full maintenance grant under the previous system) would not have applied to university in the absence of a full grant – even if these grants were replaced with additional maintenance loans worth £2,000.<sup>39</sup>

In a separate paper,<sup>40</sup> the CSJ recommends addressing this issue of debt aversion by providing better support to disadvantaged students who pursue more traditional routes at higher level. This is because, to pursue some careers it is necessary to undertake university courses that command fees, and disadvantaged individuals should have the same access to these opportunities as anybody else. However, we also hope that, regardless of background, all individuals continue to appreciate the relative merits of higher-level apprenticeships. As the market in higher apprenticeships continues to grow and diversify, people will increasingly be able to marry their talents and interests with educational pathways that complement those talents and interests. And they will be able to do so without the weight of up to £57,000 tied to their futures.<sup>41</sup>

## 1.5 Disadvantaged individuals are more likely to undertake apprenticeships than their peers

People should be able to make career decisions based on their natural strengths. In some cases, this would lead seamlessly into technical routes and in other cases it would unlock academic paths, and we want to see a system in which background does not determine which path people take. However, as things stand today, disadvantaged groups rely more on non-academic routes than their better-off peers. For instance, 39 per cent of disadvantaged individuals are educated to level 3 or above, compared to 68 per cent of their richer peers.<sup>42</sup>

**In 2018/19, 22 per cent of all apprentices were from the most deprived quintile of the country,<sup>43</sup> while 17.1 per cent of all apprentices were from the least deprived quintile.**

Overall, apprenticeships, too, are more strongly linked to disadvantaged individuals than they are to their peers. For example, in 2018, a quarter of apprentices reported being eligible for free school meals,<sup>44</sup> compared to a country-wide average of 12.4 per cent in

39 DfE, 2018, Influence of Finance on Higher Education Decision-making, Research Report, figure 28 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/693188/Influence\\_of\\_finance\\_on\\_higher\\_education\\_decision-making.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693188/Influence_of_finance_on_higher_education_decision-making.pdf)] NB: out of the question responses, this is the closest to the policy change that occurred.

40 CSJ, 2020, The Third Degree: re-examining fair access to higher education [Accessed via: [www.centreforsocialjustice.org.uk/library/the-third-degree-re-examining-fair-access-to-higher-education](http://www.centreforsocialjustice.org.uk/library/the-third-degree-re-examining-fair-access-to-higher-education)]

41 IfS, 2017, the 2012 tuition fee reforms made the poorest graduates £1,500 better off, but reforms since have more than wiped out this gain [Accessed via: [www.ifs.org.uk/publications/9335](http://www.ifs.org.uk/publications/9335)]

42 DfE, 2018, Post-16 education outcomes for disadvantaged students [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/756893/Post\\_16\\_education\\_outcomes\\_for\\_disadvantaged\\_students.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/756893/Post_16_education_outcomes_for_disadvantaged_students.pdf)] pg 12, NB: this analysis was conducted of the 2004/05 cohort by age 25.

43 The measure of deprivation in this case is the Index for Multiple Deprivation (IMD)

44 Learner and Apprentices Survey 2018 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/808273/BRANDED-Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Main\\_Report\\_-\\_14\\_May\\_2019\\_-\\_Clean.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808273/BRANDED-Learners_and_Apprentices_Survey_2018_-_Main_Report_-_14_May_2019_-_Clean.pdf)], pg 24

secondary schools in the same year.<sup>45</sup> And in 2018/19, 22 per cent of all apprentices were from the most deprived quintile of the country,<sup>46</sup> while 17.1 per cent of all apprentices were from the least deprived quintile.<sup>47</sup> In this context, improving our apprenticeships system is not just important in its own right; it is also crucial from a social justice perspective.

## 1.6 Apprenticeships can help individuals to reskill in a rapidly evolving labour market

Our jobs market is calling into question the relevance of certain skills, and the pandemic may well have nudged this up a gear (according to one survey of large companies across the world, more than a third of executives are already accelerating their plans for automation).<sup>48</sup> Although predictions about the magnitude of change vary, it is clear that many people will need to retrain. While some low skilled occupations are likely to grow, many others are at risk, and it is likely that the overall trajectory of skills demand is towards higher-skilled jobs. It is what some experts refer to as 'asymmetric polarisation'.<sup>49</sup>

### 1.5 million people are employed in jobs that are at high risk of automation.

Although many of us will need to adapt, people with lower-level qualifications are more precariously poised than most. As we hurtle towards a more tech-driven labour market, it is these individuals who are worst placed to capitalise on emerging demand. Consider this: while 1.5 million people are employed in jobs that are at high risk of automation, 98.8 per cent of these individuals are qualified to level 3 or below.<sup>50</sup> And people whose jobs are at high risk of being wiped out are 21 per cent less likely to train than those whose jobs are relatively safe.<sup>51</sup>

The world of apprenticeships is a rich ecosystem, encompassing many sectors and a very broad range of skill levels, which means it can adapt to the jobs market of the future. Cushioned by the security of paid employment, the opportunity to develop new skills, and the tangible prospect of a job beyond that, it offers an ideal environment within which to develop new or enhanced skills.

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45 DfE, 2018, Schools, pupils and their characteristics: January 2018 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/719226/Schools\\_Pupils\\_and\\_their\\_Characteristics\\_2018\\_Main\\_Text.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/719226/Schools_Pupils_and_their_Characteristics_2018_Main_Text.pdf)], pg 6

46 The measure of deprivation in this case is the Index for Multiple Deprivation (IMD)

47 DfE, 2019, Further education and skills data: deprivation tables for further education and skills: 2015/16 to 2018/19 [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills](http://www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills)]

48 Ernst and Young, 2020, Global Capital Confidence Barometer, accessed via: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_gl/topics/ey-capital-confidence-barometer/pdfs/22/ey-22nd-global-capital-confidence-barometer-march-2020.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/ey-capital-confidence-barometer/pdfs/22/ey-22nd-global-capital-confidence-barometer-march-2020.pdf)

49 Foresight, 2016, Skills demand, training and skills mismatch: a review of key concepts, theory and evidence, accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/571667/ER4\\_Skills\\_Demand\\_Training\\_and\\_Skills\\_Mismatch\\_A\\_Review\\_of\\_Key\\_Concepts\\_Theory\\_and\\_Evidence.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/571667/ER4_Skills_Demand_Training_and_Skills_Mismatch_A_Review_of_Key_Concepts_Theory_and_Evidence.pdf)

50 ONS, 2017, accessed via: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/theprobabilityofautomationinengland/2011and2017](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/theprobabilityofautomationinengland/2011and2017) – Figure 7

51 OECD, 2019, Future ready adult learning, accessed via: [www.oecd.org/unitedkingdom/Future-ready-adult-learning-2019-United-Kingdom.pdf](http://www.oecd.org/unitedkingdom/Future-ready-adult-learning-2019-United-Kingdom.pdf)

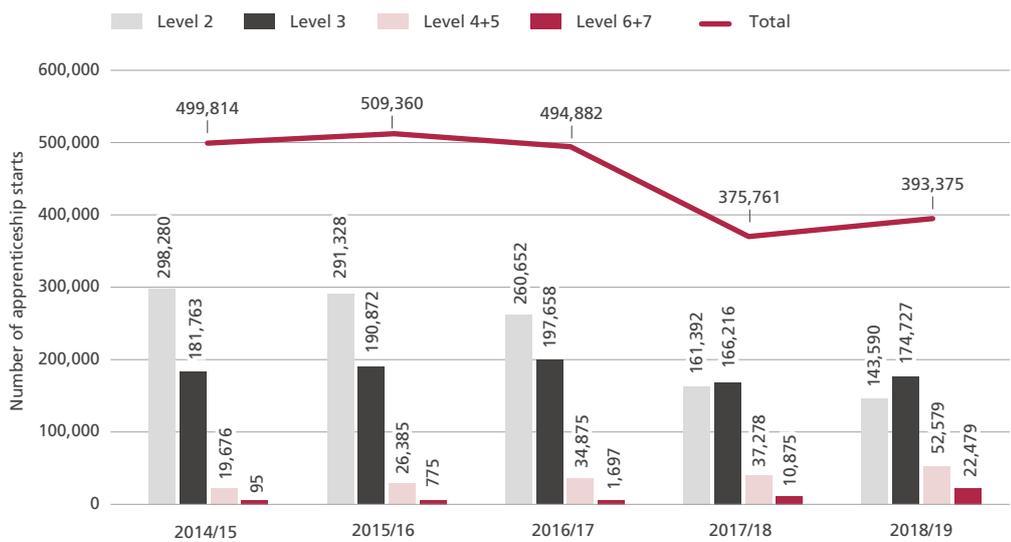
## chapter two

# Lower-level apprenticeships are in free fall

### 2.1 While the overall number of apprenticeship starts fell in recent years, the drop in level 2 starts has been particularly sharp

As Figure 1 illustrates, the overall number and blend of apprenticeships has changed substantially in recent years. The number of overall starts dipped by over 100,000 in just four years, between 2014/15 and 2018/19. In large part, this fall was driven by a sharp drop in level 2 apprenticeships (whose numbers more than halved during this period), while level 3 starts have dropped slightly since 2014/15. Conversely, higher level apprenticeships have been rising – both at levels 4/5 and at levels 6/7.

Figure 1: Apprenticeship starts – overall and by level of apprenticeship, 2014/15–2018/19



Source DfE<sup>52</sup>

52 DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

## 2.2 The fall in level 2 apprenticeships disproportionately affects disadvantaged individuals

Level 2 apprentices are more likely to live in disadvantaged areas. 25.7 per cent of apprenticeship starts at this level come from the most disadvantaged areas in England (highest quintile of deprivation based on the IMD in 2018/19), whereas just 14.4 per cent come from its most advantaged areas. The positive relationship between deprivation and level 2 apprentices starting is particularly pronounced among older apprentices. For instance, more than 30 per cent of level 2 apprentices over the age of 25 are from our most disadvantaged areas, whereas the commensurate figure in our least disadvantaged areas is just 10.6 per cent. However, this relationship is still evident at the lower end of the age-range. For example, in 2018/19, while 21.8 per cent of the under-19, level 2 first year cohort were from the most disadvantaged parts of England, 17.1 per cent were from its most advantaged areas.

**25.7 per cent of level 2 apprentices come from the most disadvantaged areas in England.**

Given the strong link between level 2 apprentices and disadvantage, it is perhaps not surprising that the recent sharp fall in level 2 apprenticeships has had a particularly adverse impact on disadvantaged individuals. Whereas 73,300 level 2 starts were in the most disadvantaged areas<sup>53</sup> in 2016/17, just 36,600 level 2 starts were in the most disadvantaged areas in 2018/19. And during this time, the proportion of all level 2 apprenticeships that were undertaken by people from the most disadvantaged areas fell from 28.5 per cent to 25.6 per cent.<sup>54, 55</sup>

## 2.3 Several factors explain the fall in level 2 apprenticeship starts

### 2.3.1 Relatively few level 2 standards have been approved

The Institute for Apprenticeships and Technical Education (IfATE) was set up in 2016 and has a number of roles. It approves new standards and assessment plans.<sup>56</sup> It is responsible for quality assuring end point assessment organisations at governance level, and is itself named as a quality assurance organisation. It conducts “route reviews” to “identify areas of overlap or gaps in standards, to check whether any standards are overly narrow, and to ascertain where there might be a need to update content to reflect current practice.”<sup>57</sup> And it advises the government on the level at which each standard’s funding band should be set.<sup>58</sup>

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53 As measured by the Index of Multiple Deprivation (IMD)

54 DfE, 2019, Further Education and skills data: Deprivation tables for further education and skills: 2015/16 to 2018/19 [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills](http://www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills)]

55 Comparisons with earlier years may not be an accurate representation of the problem. While starts on lower level standards have dropped by even further when compared to the lower level frameworks, the latter were sometimes poorer quality, and many were criticised for being little more than forms of cheap labour. Many apprentices on these frameworks did not realise they were even on an apprenticeship.

56 DfE, 2018, Apprenticeship accountability statement [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/767160/Apprenticeship\\_Accountability\\_Statement\\_1819.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767160/Apprenticeship_Accountability_Statement_1819.pdf)] pg 6

57 IfATE, 2019, Statutory Review Report: Digital Route [Accessed via: [www.instituteforapprenticeships.org/reviews/statutory-review-report-digital-route/](http://www.instituteforapprenticeships.org/reviews/statutory-review-report-digital-route/)]

58 DfE, 2018, Apprenticeship Accountability statement [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/767160/Apprenticeship\\_Accountability\\_Statement\\_1819.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767160/Apprenticeship_Accountability_Statement_1819.pdf)], pg 4

A glance at the official data suggests that IfATE has approved relatively few level 2 standards. 23 per cent of all standards are currently set at level 2,<sup>59</sup> whereas more than 40 per cent of their predecessor frameworks were set at level 2.<sup>60</sup> There are currently 63 more standards at level 3 than there are at level 2,<sup>61</sup> and higher-level apprenticeships are projected to rise as a proportion of all approved standards (level 7 apprenticeships, for instance, will rise from 6 per cent to 9 per cent of all approved standards, if IfATE approves all current proposals at that level). Employers can still choose to employ level 2 apprentices on the old frameworks; however, as they will be phased out by 31 July 2020,<sup>62</sup> level 2 apprenticeship starts will likely account for an even lower share of all apprenticeships.

This calls into question whether there is likely to be more demand for level 2 apprenticeships than supply. In 2018/19, 52.5 per cent of all apprenticeship starts on frameworks were at level 2, compared to 32.5 per cent at level 3, and 20.9 per cent at level 4.<sup>63</sup> And this strong demand for level 2 frameworks does not simply reflect the contracts government awarded training providers under the previous system; 22.2 per cent of starts on level 2 frameworks are supported by the levy (in other words, levy-paying employers decided to continue to use level 2 frameworks in those instances). Accordingly, it is possible that, when the government pulls the plug on frameworks in 2020, there will be considerable employer demand for apprenticeships in sectors and occupations where no standard equivalent currently exists.

Such is the case with the current framework for Business Administration level 2. One report forecast that, between 2017 and 2027, there would be replacement demand for 960,000 roles in administrative occupations.<sup>64</sup> And in 2018/19, a year before the Business Administration level 2 framework was due to be switched off, there were 12,938 starts on this framework. What is more, 49 per cent of these starts were funded by levy-payers (i.e. by large companies in a demand-led market) and large organisations such as the NHS continue to advertise for administrative positions on the basis of this framework.<sup>65</sup>

### 2.3.2 Levy-paying employers focus more strongly on higher-level qualifications than lower ones

In 2018/19, 49.1 per cent of all level 2 apprenticeships were funded by levy paying employers, whereas 73.7 per cent of higher apprenticeships (at level 4 and 5), and 80.4 per cent of degree-level apprenticeships, were funded in this way. In the absence of additional government funding for non-levy apprenticeships (which, as we outline later in the report, effectively operate in a capped market), levy payers' tendency to opt for more expensive, higher level apprenticeships means there is less funding available for non-levy apprenticeships.

59 CSJ analysis of IfATE data: IfATE, 2019, Search the Apprenticeship Standards [Accessed via: [www.instituteforapprenticeships.org/apprenticeship-standards/](http://www.instituteforapprenticeships.org/apprenticeship-standards/)] NB: correct as of 23 October 2019

60 House of Commons Committee of Public Accounts, The Apprenticeships Programme: Progress Review: 2019 [Accessed on 05/08/2019 via: <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1749/1749.pdf>]

61 CSJ analysis of IfATE data: IfATE, 2019, Search the Apprenticeship Standards [Accessed via: [www.instituteforapprenticeships.org/apprenticeship-standards/](http://www.instituteforapprenticeships.org/apprenticeship-standards/)]. NB: as at 23 October 2019

62 DfE, 2019, Withdrawal of apprenticeship frameworks [Accessed via: [www.gov.uk/government/publications/removal-of-apprenticeship-frameworks](http://www.gov.uk/government/publications/removal-of-apprenticeship-frameworks)]

63 CSJ analysis of DfE data

64 DfE, 2020, Working Futures [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/863506/Working\\_Futures\\_Main\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863506/Working_Futures_Main_Report.pdf)] Table 4.5

65 For instance, Royal Cornwall Hospitals NHS Trust.

### 2.3.3 Funding bands do not always reflect the cost of good quality delivery, and our YouGov polling shows that low funding bands and funding band cuts have a depressing effect on starts

#### Setting funding bands

Not all funding bands are set at a rate that allows providers to offer high-quality apprenticeships. IfATE has said it uses the lowest funding proposal offered in relation to a standard when initially deciding what band to set.<sup>66</sup> This can be problematic; as we were informed by experts that, in some instances, providers attempted to secure contracts with overzealous (and ultimately unrealistically low) offers, and these price points were in turn used to set inappropriately low funding bands.

The recent rise in appeals against funding band cuts adds further weight to the notion that some new bands may not accurately reflect the true cost of delivery. There have been a substantial number of appeals against funding band levels. Between April 2017 and the end of 2018 alone there were 37 appeals against funding band recommendations. (This does not include the appeals against the funding band reviews, which we address in the following section.) In July 2019, the IfATE changed the appeals process. Under this new system, employers cannot appeal on the grounds of pure market cost;<sup>67</sup> the IfATE must only uphold appeals if it believes that “procedure was not followed correctly, or there was impropriety,”<sup>68</sup> which means it can turn down appeals on the basis that it has weighed them against other priorities including cost pressures of the programme. As a result, many providers feel that their concerns about low funding bands have not been properly regarded.<sup>69</sup>

To better understand the effect that insufficiently high bands had on employers’ decision-making, we commissioned YouGov to gauge the reasons why private sector employers who currently employ apprentices had been deterred from offering apprenticeships, where this was the case. 24 per cent of these employers said they had been deterred by something, and among that group 28 per cent cited low funding band limits as one of the reasons why they had been deterred.<sup>70</sup>

#### Reviewing funding bands

Funding band reviews have in some cases also compromised existing standards. The IfATE recently carried out two rounds of reviews, which together scrutinised funding bands for 61 standards. The objective of the reviews was to assess whether funding bands supported high quality delivery, and whether they provided value for money for employers

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66 IfATE, Allocating a funding band [Accessed via: [www.instituteforapprenticeships.org/developing-new-apprenticeships/allocating-a-funding-band/#challenging-a-funding-band-decision](http://www.instituteforapprenticeships.org/developing-new-apprenticeships/allocating-a-funding-band/#challenging-a-funding-band-decision)]

67 CSJ Freedom of Information Request to IfATE [sent June 2020]

68 FE Week, 2019, Nearly a year after review launched, ESFA reveals apprenticeship funding rate cut [Accessed via: <https://feweek.co.uk/2019/02/20/nearly-a-year-after-review-launched-esfa-reveals-apprenticeship-funding-rate-cut/>]; or, as IfATE describes as “material procedural error or other material irregularity” [Accessed via: [www.instituteforapprenticeships.org/developing-new-apprenticeships/allocating-a-funding-band/#challenging-a-funding-band-decision](http://www.instituteforapprenticeships.org/developing-new-apprenticeships/allocating-a-funding-band/#challenging-a-funding-band-decision)]

69 FE News, 2019, Social Care crisis made worse by poorly funded training [Accessed via: [www.fenews.co.uk/press-releases/32451-social-care-crisis-made-worse-by-poorly-funded-training-new-aelp-survey-finds](http://www.fenews.co.uk/press-releases/32451-social-care-crisis-made-worse-by-poorly-funded-training-new-aelp-survey-finds)]

70 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

and taxpayers.<sup>71, 72</sup> Although the number of level 2 bands that were subsequently cut was around the same as for other funding bands, the cuts they incurred were more severe than bands at other levels. Of the 60 bands that were scrutinised in total, 37 were cut, 20 remained the same and 3 were raised. However, level 2 bands were cut on average by 17 per cent, compared to 12 per cent for level 3 bands, and 14 per cent for level 4 bands.<sup>73</sup> In addition, no level 2 bands were raised, despite sector-wide calls for some to be increased.<sup>74</sup>

Funding band cuts could dampen employer demand for apprenticeships in one of two ways. First, employers may find it harder to commission training for affected apprenticeships, because training providers can no longer afford to offer training for those apprenticeships. Or second, employers may still be able to find providers but the quality of their provision could be compromised, and this could put employers off.

The funding band cuts that flowed from the IfATE's review have already precipitated some high-profile collapses. In 2019, for instance, Halfords (an employer-provider) scrapped its level 2 provision, the vast majority of whom were on level 2 retailer apprenticeships, and cited as a key driver "the reduction in the funding band for the level 2 retailer standard."<sup>75</sup> In addition, as Universities UK has reported, some higher-level providers have refrained from offering degree apprenticeships as a result of funding band reductions,<sup>76</sup> while others have had to be revised and re-designed to make them affordable.<sup>77</sup>

In total, there were 21 challenges following the funding band reviews, which represented more than half of all appeals against funding bands in 2019.<sup>78</sup> To better understand the effect that funding band cuts had on employers' decision-making, we commissioned YouGov to gauge the reasons why employers who currently employ apprentices had been deterred from offering apprenticeships, where this was the case. 24 per cent of these employers said they had been deterred by something, and among that group 26 per cent cited funding band cuts as one of the reasons why they had been deterred.<sup>79</sup>

71 FOI to IfATE: Funding band methodology PowerPoint sent to trailblazer groups

72 One funding band (for the 'Travel Consultant' standard) at the time of research (December 2019) had not been fully reviewed, but IfATE have removed the webpage relating to the funding band review outcomes [Accessed via: [www.instituteforapprenticeships.org/reviews/funding-review/](http://www.instituteforapprenticeships.org/reviews/funding-review/)]

73 CSJ analysis of IfATE data [Accessed via: [www.instituteforapprenticeships.org/reviews/funding-review/](http://www.instituteforapprenticeships.org/reviews/funding-review/)]

74 Such as Adult Care Worker: FE Week, 2019, Majority of care apprentice providers to reduce starts after DfE rejects funding plea [Accessed via: <https://feweek.co.uk/2019/07/18/majority-of-care-apprentice-providers-to-reduce-starts-after-dfe-rejects-funding-plea/>]

75 FE Week, 2019, Huge Employer provider to downsize and scrap all level 2 apprenticeships [Accessed via: <https://feweek.co.uk/2019/04/16/huge-employer-provider-to-downsize-and-scrap-all-level-2-apprenticeships/>]

76 Universities UK, 2019, The future of degree apprenticeships [Accessed via: [www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx](http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx)], pg 32

77 Ibid, pg 55

78 CSJ Freedom of Information Request to IfATE [Received July 2020]

79 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

## 2.4 Traineeships could plug some of the gap left by the sharp fall in level 2 apprenticeships, but the existing offer will need to be expanded

### 2.4.1 The traineeships model serves as a bridge to training opportunities and jobs, and has demonstrated encouraging impact

Traineeships usually last between six weeks and six months, and comprise three core elements:

- building self-confidence, developing self-esteem, boosting employability skills, offering mentoring; and providing high quality information, advice and guidance;
- undertaking high-quality work experience (between 100–240 hours); and
- improving literacy and numeracy.

They are usually targeted at economically or socially disadvantaged school leavers or young unemployed adults who are low skilled and face barriers to work. Just 11 per cent of trainees achieve five or more GCSEs at grades A\*–C, and 47.4 per cent of trainees have no GCSEs at A\*–C. 10 per cent of trainees have been excluded from school in some shape or form, and nearly 8 per cent of this cohort has had more than 50 unauthorised absences from school.<sup>80</sup> And in 2018/19, 22.8 per cent of all trainees had learning difficulties and/or disabilities.<sup>81</sup>

#### **Traineeships boost people's chances of doing an apprenticeship, and are linked to positive learning and employment outcomes.**

According to the DfE's most recent evaluation of traineeships, participation in a traineeship boosts the likelihood of starting an apprenticeship 12 months' post-start, for both 16–18 year olds and 19–23 year olds.<sup>82</sup> Individuals who had undertaken a traineeship were 25.3 percentage points more likely to start an apprenticeship within 12 months than those in the control group.<sup>83</sup> (It is too soon to understand how traineeships affect individuals' progression to higher level apprenticeships because the impact evaluation only scrutinised progression 12 months after starting.) A recent DfE publication outlining the outcomes of 17,000 learners who completed a traineeship in 2016/17 as their highest qualification also showed that 49 per cent of this cohort were in sustained employment, and 34 per cent in sustained learning, when the study was conducted in 2019.<sup>84</sup>

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80 DfE, 2019, Traineeships evaluation [Accessed via: [www.gov.uk/government/publications/traineeships-evaluation](http://www.gov.uk/government/publications/traineeships-evaluation)], pg 32

81 DfE, 2019, Apprenticeships and traineeships data: Traineeship starts by equality and diversity for 2013 to 2014 to 2017 to 2018 [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

82 DfE, 2019, Traineeships Impact Evaluation [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/809552/Traineeships\\_Impact\\_Evaluation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/809552/Traineeships_Impact_Evaluation.pdf)], pg 55

83 Ibid, pg 57

84 DfE, 2019, Further education: outcome-based success measures, academic years 2013/14 to 2016/17 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/856797/FE\\_OBSM\\_Main\\_Text.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/856797/FE_OBSM_Main_Text.pdf)], pg 11

#### 2.4.2 The number of traineeships has declined, and awareness of them is relatively low

The number of people starting traineeships dropped by 38 per cent between 2015/16 (24,100) and 2018/19 (14,900).<sup>85</sup> In part, this decline may be attributed to the fact that the cohort at whom traineeships were aimed has shrunk. As the DfE has highlighted, traineeships were not originally “intended for the most disengaged young people, who require very intensive support,”<sup>86</sup> and these individuals were deemed too far away from the labour market to be engaged with traineeships.<sup>87</sup> Instead, traineeships were designed to support people who were closer to the labour market, and in the context of a record high employment rate prior to the coronavirus pandemic, it is possible that fewer people fell into this bracket.

**The number of people starting traineeships dropped by 38 per cent between 2015/16 (24,100) and 2018/19 (14,900).**

Part of the problem may also be that many employers are not aware of traineeships. According to a DfE survey of employers in 2018/19, just 57 per cent of employers in the private sector had heard of traineeships, and only 35 per cent had any knowledge of them.<sup>88</sup> Young people, too, tend to lack awareness of traineeships, and they are often instead brokered by training providers or Jobcentre Plus (JCP).<sup>89</sup> Whether a reflection of these points, or of lower demand for traineeships, the proportion of employers who offer traineeships is falling: while in 2015, 19 per cent of employers offered traineeships, the commensurate figure was 16 per cent in 2017 and just 14 per cent in 2019.<sup>90</sup>

85 DfE, 2019, Traineeship starts by equality and diversity for 2013 to 2014 to Q2 2018 to 2019 [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

86 DfE, 2015, Traineeships framework for delivery 2015 to 2016 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/410737/Framework\\_for\\_delivery\\_2015-2016.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/410737/Framework_for_delivery_2015-2016.pdf)] pg 6

87 DfE, 2018, Exploring the funding and support for apprentices with additional support needs [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/697649/Exploring\\_the\\_funding\\_and\\_support\\_for\\_apprentices\\_with\\_additional\\_support\\_needs.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/697649/Exploring_the_funding_and_support_for_apprentices_with_additional_support_needs.pdf)] pg 23

88 DfE, Apprenticeships: employer survey 2018–19 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875561/Apprenticeships\\_Evaluation\\_-\\_Employer\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875561/Apprenticeships_Evaluation_-_Employer_Report.pdf)], Figure 4.6

89 AELP, 2018, AELP briefing paper 2018: tackling the growing barriers to traineeship success [Accessed via: [www.aelp.org.uk/resource-and-information-centre/resource-and-information-centre/briefing-papers/briefing-paper-56-tackling-the-growing-barriers-to-traineeship-success-july-2018/](http://www.aelp.org.uk/resource-and-information-centre/resource-and-information-centre/briefing-papers/briefing-paper-56-tackling-the-growing-barriers-to-traineeship-success-july-2018/)]

90 Ibid, pg 62

## 2.5 Recommendations

### Recommendation 1

IfATE should review the way it sets funding bands, and should promptly sign off new level 2 standards where there is demand for them.

- We hold no preconceived notion about what a ‘good’ number of level 2 apprenticeships is; their volume should be contingent on demand and quality. Some lower-level apprenticeships lacked rigour, and we fully support the notion that we should be raising standards in the apprenticeships sector, as we are in our education system more generally.
- However, we are concerned that in some cases, good quality apprenticeships are being compromised, and that we are shutting down access for disadvantaged learners (who are more likely to undertake level 2 apprenticeships than their peers). Viewed as a whole, level 2 apprenticeships offer good wage returns and returns to the taxpayer. By age 28, for instance, the average wage for individuals who have completed a level 2 apprenticeship is 23 per cent higher than it is for those who just left school with GCSEs, and 16 per cent higher than for individuals who left education with level 2 vocational qualification.<sup>91</sup> And the net present value of every £1 of public money that was invested in these apprenticeships in 2013/14 is £26.<sup>92</sup>
- There is a real risk that some bands do not reflect the cost of good quality delivery, and that cuts have had a depressing effect on starts, particularly at level 2. The Institute for Apprenticeships and Technical Education (IfATE) should revise its methodology when setting funding bands so that:
  - bands are based on detailed, independent market analysis;
  - lowest moderate training provider/EPAO quotes are not used as proxies for costs; and
  - the appeals process places more emphasis on the cost of good quality delivery.It should also assess what impact funding band cuts have had on the quality and number of relevant apprenticeships, and should revise bands accordingly.
- IfATE should promptly approve new level 2 standards where there is demand from employers for them.

91 Sutton Trust, 2017, Better Apprenticeships [Accessed via: [www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf](http://www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf)]

92 BIS, 2015, Measuring the Net Present Value of Further Education in England [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/435166/bis\\_15\\_323\\_Measuring\\_the\\_Net\\_Present\\_Value\\_of\\_Further\\_Education\\_in\\_England.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/435166/bis_15_323_Measuring_the_Net_Present_Value_of_Further_Education_in_England.pdf)] pg 5

## Recommendation 2

Good quality frameworks that are meeting employer demand should not be switched off in 2020 unless commensurate standards are put in place.

- All frameworks will be switched off on 31 July 2020. Some of these frameworks are in demand from employers but do not have equivalent standards in place, and some employers are concerned there will not be enough standards to meet their needs. DfE should assess which frameworks fall into this category, and should:
  - a. allow them to operate for longer until commensurate standards are in place; and
  - b. in the meantime, work with employers to create an equivalent standard in each case.

## Recommendation 3

The government should refine and expand its traineeships offer.

- If we are to avert the deep scarring effects associated with prolonged youth unemployment, we must make sure we have a bespoke offer for this group, and traineeships can play a part in this. The government should expand traineeships and there are two immediate reasons why it may need to do this:
  - in light of the recent sharp drop in level 2 apprenticeships, there are fewer lower-level options that could serve as stepping stones to other apprenticeships and opportunities; and
  - as a result of the pandemic, school leavers face an increasingly sparse jobs market, and young adults are particularly susceptible to being furloughed or losing their jobs.
- We strongly welcome the government's announcement that it will expand the traineeships programme from September 2020. This will bring much needed impetus to a form of skills development that has demonstrable positive returns, and will do so at a time when young people face a highly challenging jobs market.
- To make sure traineeships have their desired reach, however, they need to be republicised as routes into work or apprenticeships, both at the employer and individual level (the evidence suggests that clearly communicating the opportunities that flow from traineeships boosts uptake). The government should promote traineeships more strongly to employers, and should work with providers to advertise them locally. They should also make sure traineeships are hardwired into work coaches' training, and that coaches are encouraged to promote this option strongly.

- Individuals who complete traineeships are not awarded official qualifications for traineeships per se, which sometimes makes it difficult for other employers to know what any given traineeship might signal in the way of skills and knowledge acquired. Traineeships vary substantially in length and in some cases, it may not be feasible to embed existing qualifications into them; however, where traineeships are longer in duration, there should be a strong expectation for providers to wrap suitable qualifications into their offers. In addition, digital skills packages should be weaved more prominently into all traineeships where feasible.

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#### **Recommendation 4**

The government should work with employers to build, and support the associated costs of, more pre-apprenticeship training.

- Many of the elements of traineeships are evident in these programmes, and they help bridge to other opportunities. Such is the case, for instance, with the Co-Op, which offers a four-month pre-apprenticeship programme before which potential apprentices are offered apprenticeships between the levels of 2–4.

## chapter three

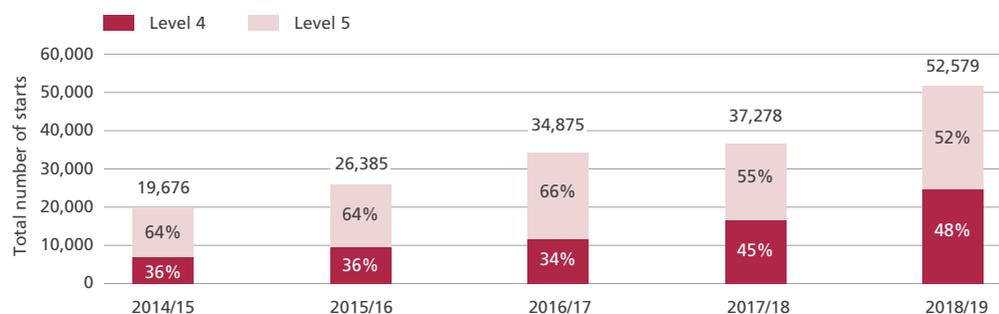
# Higher-level apprenticeships are growing, but disadvantaged individuals lack access to them

### 3.1 The number of higher-level apprenticeships has risen in recent years

#### Level 4/5

While overall apprenticeship starts dropped by more than one fifth (21.3 per cent) between 2014/15 and 2018/19, level 4 and 5 starts have risen incrementally every year since then. Figure 2 outlines further details.

Figure 2: Total number of starts at levels 4 and 5, 2014/15–2018/19, and proportion of each level



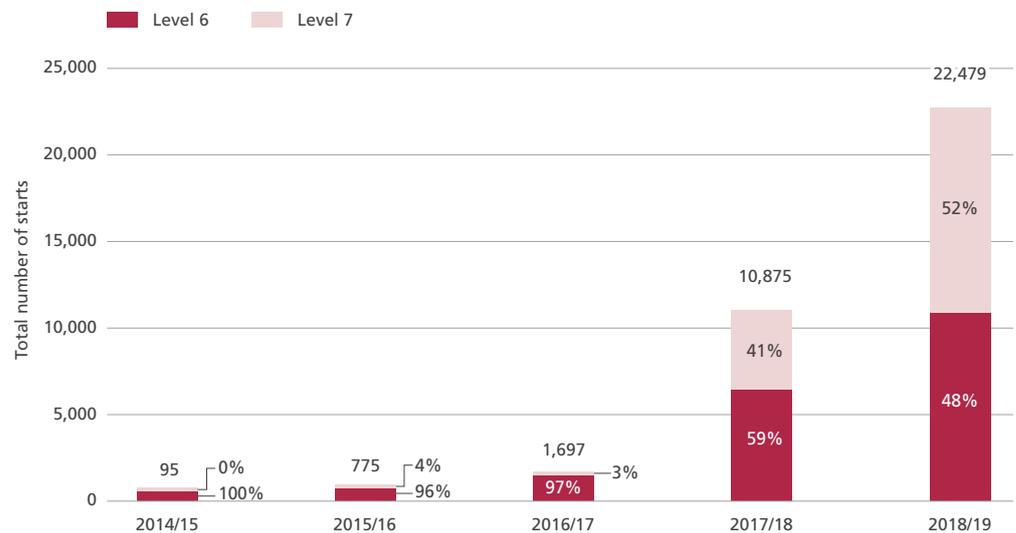
Source: DfE<sup>93</sup>

<sup>93</sup> DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

### Level 6/7

While overall apprenticeship starts dropped by more than one fifth (21.3 per cent) between 2014/15 and 2018/19, the number of level 6 and 7 starts soared by 23,562 per cent (from 95 to over 22,479) in the same time. Figure 3 outlines further details.

Figure 3: Total number of starts at levels 6 and 7, 2014/15–2018/19, and proportion of each level



Source: DfE<sup>94</sup>

## 3.2 Despite the rise in higher level apprenticeships, disadvantaged individuals are less likely to access them than their peers

### Level 4/5

Apprentices from disadvantaged backgrounds are less likely to undertake level 4 and 5 apprenticeships than their more advantaged peers. While 17.9 per cent of apprentices at these levels come from England's most disadvantaged areas (measured using the IMD), 19.4 per cent come from its most advantaged areas.<sup>95</sup>

### Level 6/7

Disadvantaged individuals are also substantially less likely to access level 6 and 7 apprenticeships than their peers. In 2018/19, while just 12.6 per cent of apprentices on these programmes lived in the most disadvantaged areas of England (measured using the IMD), 26.8 per cent came from its most advantaged areas.<sup>96</sup> And this gap is growing.

94 DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

95 CSJ analysis of DfE data: DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

96 DfE, 2019, Further education and skills data: deprivation tables for further education and skills: 2015/16 to 2018/19 [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills](http://www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills)]

Between 2017/18 and 2018/19, the difference between the entry rate for the most and least disadvantaged individuals increased by one percentage point, from a 13.3 percentage point difference, to a 14.2 percentage point difference.<sup>97</sup>

**Individuals under the age of 19 from the most disadvantaged backgrounds are five times less likely to undertake a degree-level apprenticeship than those from the most advantaged areas.**

The access gap at this level is even more pronounced for younger individuals. Individuals under the age of 19 from the most disadvantaged backgrounds (measured according to IMD) are five times less likely to undertake a degree-level apprenticeship (including at level 6 or 7) than those from the most advantaged areas.<sup>98</sup> And this trend is getting more pronounced: whereas disadvantaged individuals under the age of 19 were five times less likely to start a degree-level apprenticeship in 2018/19 than those from the most advantaged areas, in 2017/18 they were four times less likely.<sup>99</sup>

Degree-level apprenticeships are also increasingly the preserve of more mature individuals. In 2017/18, 43 per cent of apprenticeships at this level were undertaken by individuals aged 25+. In 2018/19, this figure increased to 51 per cent.<sup>100</sup> Figures 4 and 5 help to place this in context. As Figure 4 shows, the overall age mix of apprentices has varied somewhat in recent years:

- after plateauing between 2014/15 and 2015/16, the number of under-19 apprentices dropped steadily thereafter;
- the number of 19-24-year-old apprentices fell between 2014/15 and 2017/18, before levelling off in 2018/19; and
- the number of 25+ apprentices fluctuated substantially (while climbing steadily between 2014/15 to 2016/17, their number dropped radically the following year, before picking up again sharply between 2017/18 and 2018/19).

When observed together, the three curves in Figure 4 show that 25+ apprentices are starting to gain an increasingly large share of the overall cohort of starts, and Figure 5 shows us that level 6/7 apprenticeships are helping to support this trend. Figure 5 also shows us very clearly that more mature apprentices are dominating level 6/7 apprenticeships, and that individuals under-19 make up a very modest part of their overall number.

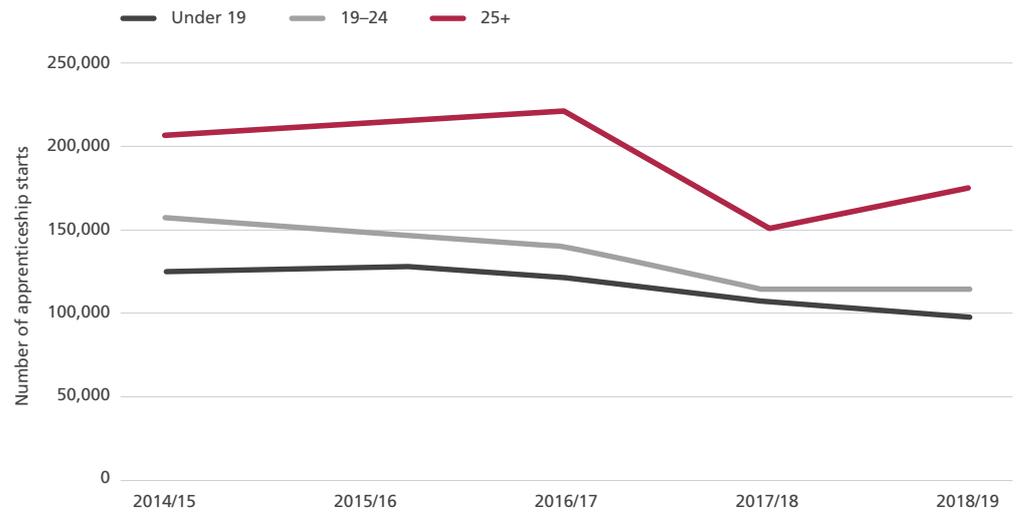
97 DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

98 DfE, 2019, Further education and skills data: deprivation tables for further education and skills: 2015/16 to 2018/19 [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills](http://www.gov.uk/government/statistical-data-sets/fe-data-library-further-education-and-skills)]

99 Ibid

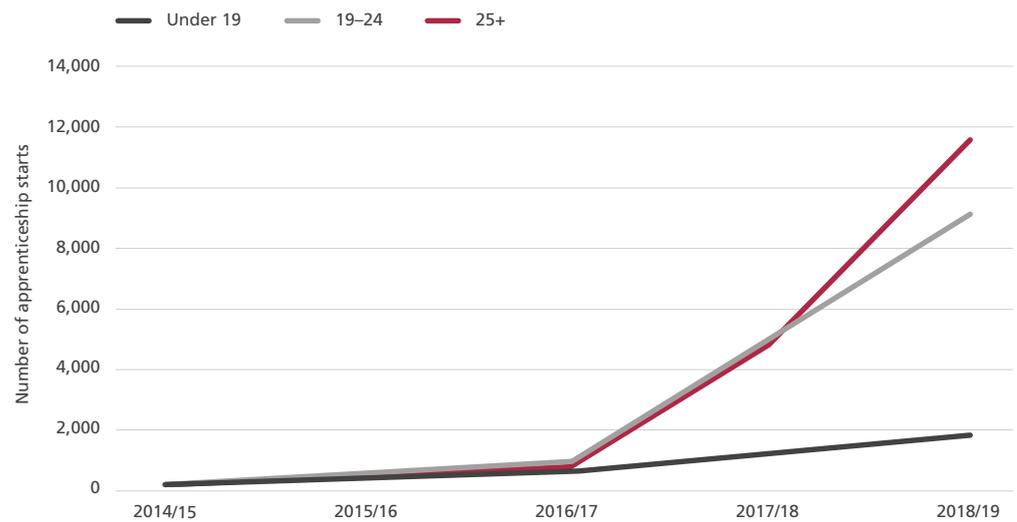
100 Ibid

Figure 4: Apprenticeship starts by age of apprentice, 2014/15–2018/19



Source DfE<sup>101</sup>

Figure 5: Level 6 and 7 apprenticeship starts by age of apprentice, 2014/15–2018/19



Source DfE<sup>102</sup>

101 DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-datalibrary-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-datalibrary-apprenticeships)]

102 DfE, 2020, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-datalibrary-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-datalibrary-apprenticeships)]

### 3.3 A number of factors make it harder for disadvantaged individuals to access higher-level apprenticeships

#### 3.3.1 There is a lack of information on apprenticeships in schools, and teachers tend to favour the traditional academic route over apprenticeships

Good quality general careers advice is scarce in England. Just under one in five schools do not meet any of the eight Gatsby benchmarks, a series of internationally respected benchmarks that help governments quality assure careers advice in schools.<sup>103</sup> Only 37 per cent of schools meet at least half of these benchmarks. And on average, schools meet just three of the benchmarks.

The landscape is particularly underwhelming when it comes to advising pupils on apprenticeships, specifically. We know, for instance, that many schools do not adequately inform and advise children about apprenticeships. According to one study, only 41 per cent of 11–16-year-old pupils said that a teacher discussed the idea of an apprenticeship with them at school.<sup>104</sup>

In part, this is because there tends to be a latent bias towards academic routes in schools. For instance, according to the same study, just 21 per cent of teachers always or usually advised high performing students to opt for an apprenticeship over university.<sup>105</sup> And 64 per cent of teachers said they would rarely or never advise high performing students to opt for an apprenticeship route over university; of those who fell within this bracket, 14 per cent cited negative views about the quality of apprenticeships, and 28 per cent thought the traditional university route unlocked better career prospects.

In other instances, lack of information about apprenticeships also appears to play a part. For example, almost a fifth (19 per cent) of all classroom teachers and senior leaders said that they lacked information about apprenticeships in general, and a similar proportion (18 per cent) said that they lacked information about available apprenticeship options.<sup>106</sup>

**According to one study, 81 per cent of students (in years 10 and 12) knew nothing or little about the application process for degree apprenticeships.**

Pupils, too, seem to know very little about them. According to one study, 81 per cent of students (in years 10 and 12) knew nothing or little about the application process for degree apprenticeships; 78 per cent knew little or nothing about subjects in which degree apprenticeships can be studied; 67 per cent knew little or nothing about course expenses; and 93 per cent lacked knowledge about course structure.<sup>107</sup> And in an evaluation of learners' perceptions of degree apprenticeships in 2019, the Degree Apprenticeship

<sup>103</sup> Careers and Enterprise Company 2019, State of the Nation 2019: careers and enterprise provision in England's schools [Accessed via: [www.careersandenterprise.co.uk/sites/default/files/uploaded/state\\_of\\_the\\_nation\\_2019\\_digital.pdf](http://www.careersandenterprise.co.uk/sites/default/files/uploaded/state_of_the_nation_2019_digital.pdf)]

<sup>104</sup> Sutton Trust, 2018, Apprenticeship polling 2018 [Accessed via: [www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-4.pdf](http://www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-4.pdf)]

<sup>105</sup> Sutton Trust, 2018, Apprenticeship polling 2018 [Accessed via: [www.suttontrust.com/our-research/apprenticeship-polling-2018/](http://www.suttontrust.com/our-research/apprenticeship-polling-2018/)] Polling Tables

<sup>106</sup> Sutton Trust, 2018, Apprenticeship polling 2018 [Accessed via: [www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-tables.pdf](http://www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-tables.pdf)]

<sup>107</sup> Universities UK, 2019, The future of degree apprenticeships [Accessed via: <https://universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx>], Figure 4

Development Fund reported that “almost without exception” learners came across these courses “by chance”, through relatives or friends, rather than through careers advisors or schools and colleges.<sup>108</sup>

### 3.3.2 Disadvantaged families are less likely to know about degree apprenticeships than their peers

Although it is still low, knowledge of degree apprenticeships is rising. According to one recent survey commissioned by the Chartered Management Institute (CMI), for example, awareness among parents of these apprenticeships rose from 13 per cent in 2016 to 32 per cent in 2018.<sup>109</sup> However, parents in general still often lack a sufficiently detailed understanding of the range of options available: while three quarters of parents feel confident about advising their children on university choices, 63 per cent do so regarding degree apprenticeships, specifically,<sup>110</sup> and just 45 per cent of parents disagree or strongly disagree that schools provide sufficient information about degree apprenticeships.<sup>111</sup> And lack of awareness is particularly high among disadvantaged families: according to one major survey by the CMI, better-off families are 2.5 times more likely to know about degree apprenticeships than their less well-off peers.<sup>112</sup>

**Better-off families are 2.5 times more likely to know about degree apprenticeships than their less well-off peers.**

### 3.3.3 Higher education outreach does not focus enough on degree apprenticeships

A higher education institution can only charge maximum tuition fees of £9,000 a year for full-time students if it produces an access and participation plan.<sup>113</sup> In the absence of such a plan, it can charge £6,000.<sup>114,115</sup> The purpose of a plan is, in relation to underrepresented groups, to outline how institutions aim to broaden access, support student success, and help students progress into the labour market.<sup>116</sup> Providers spend an undetermined portion of revenue on meeting these targets, and each plan must be approved by the OfS.<sup>117</sup> In

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108 Warwick Economic and Development, 2019, Degree Apprenticeship Development Fund Evaluation [Accessed via: [www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf](http://www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf)], pg 32–33

109 Chartered Management Institute, 2018, Ambitious parents encourage students to take a closer look at apprenticeships [Accessed via: [www.managers.org.uk/about-us/media-centre/cmi-press-releases/ambitious-parents-encourage-students-to-take-a-closer-look-at-apprenticeships](http://www.managers.org.uk/about-us/media-centre/cmi-press-releases/ambitious-parents-encourage-students-to-take-a-closer-look-at-apprenticeships)] – research conducted online by Opinium among a nationally representative sample of 1,008 parents of children aged 11–18, between 2nd and 6th August 2018

110 Sutton Trust, 2018, Parent Power [Accessed via: [www.suttontrust.com/wp-content/uploads/2019/12/Parent-Power-2018.pdf](http://www.suttontrust.com/wp-content/uploads/2019/12/Parent-Power-2018.pdf)], pg 4

111 Universities UK, 2019, The future of degree apprenticeships [Accessed via: <https://universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx>], pg 44

112 Chartered Management Institute, 2017, The Age of Apprenticeships [Accessed via: [www.managers.org.uk/~media/Files/PDF/Infographics/Age-of-Apprenticeships-infographic-August-2017.pdf](http://www.managers.org.uk/~media/Files/PDF/Infographics/Age-of-Apprenticeships-infographic-August-2017.pdf)]

113 This can rise to £9,250 if the university participates in the Teaching and Excellence Framework (TEF)

114 Or £6,165 if the university participates in the TEF

115 OfS, 2019, Fee limits [Accessed via: [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/fee-limits/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/fee-limits/)]

116 OfS, 2019, Process for submission and assessment [Accessed via: [www.officeforstudents.org.uk/media/2c75e996-082e-4cbd-8b0b-5cb75796ba20/apps-processes-for-submission-and-assessment.pdf](http://www.officeforstudents.org.uk/media/2c75e996-082e-4cbd-8b0b-5cb75796ba20/apps-processes-for-submission-and-assessment.pdf)]

117 Office for Students, 2019, Monitoring data and outcomes: 2017–18 OFFA access agreements and HEFCE student premium funding [Accessed via: [www.officeforstudents.org.uk/data-and-analysis/monitoring-data-and-outcomes-2017-18-access-agreements-and-student-premium-funding/](http://www.officeforstudents.org.uk/data-and-analysis/monitoring-data-and-outcomes-2017-18-access-agreements-and-student-premium-funding/)]

2017/18, the combined access and participation budget for all institutions that had signed access agreements was £749.9 million, which includes the expenditure sourced from HEFCE contributions.<sup>118</sup>

The DfE has instructed the OfS “to encourage providers to work in partnerships with employers to ensure degree apprenticeships widen access to professions and that people of all ages, ability, backgrounds and disadvantaged areas are represented.”<sup>119</sup> The OfS has, in turn, introduced an apprenticeship dashboard which provides higher education institutions with helpful insights into apprenticeship provision.<sup>120</sup> The OfS has also informed them that they can focus on degree apprenticeships in their access and participation plans. These initiatives are, however, not formally regulated unless institutions take it upon themselves to include them as a “strategic measure,” which means the OfS does not scrutinise those targets in a way that influences their overall assessment of institutions’ outreach efforts.<sup>121</sup>

Some institutions have demonstrated admirable progress in attempting to promote degree apprenticeships in their outreach work. For example, Bristol University set up recruitment workshops to encourage individuals from disadvantaged backgrounds to apply for degree apprenticeships at the university itself (in events and administration, as business administrators, and as international recruitment assistants).<sup>122</sup> And the University of Northampton has a programme for cadets from deprived backgrounds; it matches suitable candidates with employers using apps and online platforms, with a view to starting degree apprenticeships with them.<sup>123</sup>

**While in September 2019 there were 100 universities on the register of apprenticeship training providers, only 59 mentioned apprenticeships in their most recent access and participation plans.**

However, there is some way to go before degree apprenticeships are afforded the same general weight in outreach as more established courses – even when we adjust for the fact that some institutions do not offer them. For instance, while in September 2019 there were 100 universities on the register of apprenticeship training providers, only 59 mentioned apprenticeships in their most recent access and participation plans. And of the 59 institutions that did mention apprenticeships in their plans, only 16 include specific goals to increase the number of degree apprenticeships they offered.<sup>124</sup>

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- 118 OfS, 2019, monitoring data and outcomes: 2017–18 OFFA access agreements and HEFCE student premium funding [Accessed via: [www.officeforstudents.org.uk/data-and-analysis/monitoring-data-and-outcomes-2017-18-access-agreements-and-student-premium-funding/](http://www.officeforstudents.org.uk/data-and-analysis/monitoring-data-and-outcomes-2017-18-access-agreements-and-student-premium-funding/)]
- 119 DfE, 2018, Secretary of State for Education Guidance to the Office for Students (OfS) February 2018, Access and Participation [Accessed via: [www.officeforstudents.org.uk/media/1112/access-and-participation-guidance.pdf](http://www.officeforstudents.org.uk/media/1112/access-and-participation-guidance.pdf)]
- 120 Universities UK, 2019, The future of degree apprenticeships [Accessed via: <https://universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx>], pg 60
- 121 OfS, 2019, Access and Participation Plans FAQ [Accessed via: [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/faqs/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/faqs/)]
- 122 University of Bristol, 2019, Apprenticeship opportunities at the University of Bristol [Accessed via: [www.bristol.ac.uk/news/2019/october/apprenticeships-autumn-2019.html](http://www.bristol.ac.uk/news/2019/october/apprenticeships-autumn-2019.html)]
- 123 Warwick Economic and Development, 2019, Degree Apprenticeship Development Fund Evaluation [Accessed via: [www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf](http://www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf)], pg 27
- 124 OfS, 2019, Access and Participation Plan data [Accessed via: [www.officeforstudents.org.uk/data-and-analysis/access-and-participation-plan-data/](http://www.officeforstudents.org.uk/data-and-analysis/access-and-participation-plan-data/)]

## 3.4 Recommendations

### Recommendation 5

The government should introduce another round of the Degree Apprenticeship Development Fund to identify, and help meet, latent demand for degree apprenticeships.

- If we are to extend degree-level apprenticeships to more people, we must support them to flourish where this meets tangible market need. The number of higher-level options is still small (there were around 22,479 level 6/7 starts according to the most recent year-on-year figures).
- This is particularly true when compared to higher education more generally. The number of people completing university degrees in the UK rose from 495,325 to 585,010 in the last six years;<sup>125</sup> many of those courses confer a good return, but others do not.<sup>126</sup> We also have a high rate of overqualification (15 per cent of workers are in jobs for which lower qualifications are typically required)<sup>127</sup> and only three fifths of first degree, full-time graduates have permanent contracts 6 months after leaving university.<sup>128</sup> A degree apprenticeship offers a valuable alternative that is linked to good job opportunities, without the prospect of large student debts tied to learners' futures.
- In no small measure, the rise of degree apprentices was driven by the introduction of the Degree Apprenticeship Development Fund (DADF). Set up in 2016, the first round of this fund offered providers £4.5 million to create a stronger market for degree apprenticeships where demand was likely to be high; create partnerships to strengthen degree apprenticeship growth; and establish capacity and expertise to deliver a high volume of degree apprenticeships across higher education institutions (HEIs).<sup>129</sup> The second round (£4.9 million) focused more strongly on promoting better access for disadvantaged learners, and on boosting the profile of apprenticeships.<sup>130</sup>
- An official evaluation of the DADF fund suggested that it had generated positive impact in meeting many of its goals. It helped generate HEI buy-in at senior level, supported the development of appropriate infrastructure, and allowed stakeholders to build strategic

125 HESA, 2020, Who's Studying in HE? First year higher education (HE) student enrolments (including on alternative provider designated courses) by level of study, accessed via: [www.hesa.ac.uk/data-and-analysis/students/whos-in-he](http://www.hesa.ac.uk/data-and-analysis/students/whos-in-he)

126 IFS, 2020, Most students get a big pay-off from going to university – but some would be better off financially if they hadn't done a degree [Accessed via: [www.ifs.org.uk/publications/14731](http://www.ifs.org.uk/publications/14731)]

127 OECD, 2016, Mismatch – National Statistics, accessed via: <https://stats.oecd.org/Index.aspx?DataSetCode=MISMATCH#> (background characteristics listed on pg 70)

128 HESA, 2018, Destinations of Leavers from higher education 2016/17, accessed via: [www.hesa.ac.uk/data-and-analysis/publications/destinations-2016-17](http://www.hesa.ac.uk/data-and-analysis/publications/destinations-2016-17), Introduction tables, Table H

129 Universities UK, 2019, The future of degree apprenticeships [Accessed via: [www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx](http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx)], pg 31

130 Warwick Economics and Development, 2019, Degree Apprenticeship Development Fund Evaluation [Accessed via: [www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf](http://www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf)], pg 26

plans (it is still too soon to gauge its impact on widening participation).<sup>131</sup> By November 2018, after these two waves were complete, there were 4,464 degree apprentice starts, and the number of degree apprenticeships has grown rapidly since.<sup>132</sup>

- The government should introduce another round of the DADF to identify, and help meet, latent demand for degree apprenticeships, and should continue to promote opportunities for disadvantaged individuals. As part of this exercise, officials should work with HEIs to explore the potential for repurposing some of their offers so that they offer more higher-level apprenticeships where this meets market need.

## Recommendation 6

Higher education institutions that offer higher-level apprenticeships should be urged to promote them more strongly in their outreach work.

- A higher education institution can only charge maximum tuition fees if it produces an access and participation plan.<sup>133</sup> The purpose of a plan is, in relation to underrepresented groups, to outline how institutions aim to broaden access, support student success, and help students progress into jobs.<sup>134</sup> Providers spend an undetermined portion of revenue on meeting these targets, and each plan must be approved by the OfS.<sup>135</sup> In 2017/18, the combined access and participation budget for all institutions that had signed access and participation plans was £784.5 million.<sup>136</sup>
- Too few of the targets outlined in access and participation agreements relate to higher-level apprenticeships where providers offer these courses. The OfS should use its leverage to urge them to place more emphasis on these courses in their agreements. We outline below some of the ways in which they could do this:
  - communicate apprenticeships options and financial support on websites/marketing material;
  - use alumni/case studies to demonstrate outcomes associated with apprenticeships;
  - use images that reflect apprentices in marketing material;
  - offer careers advice that is appropriate for people who blend work and off-the job training;
  - make the enrolment process as user-friendly as possible;

131 Warwick Economic and Development, 2019, Degree Apprenticeship Development Fund Evaluation [Accessed via: [www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf](http://www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf)], pg 28

132 Universities UK, 2019, The future of degree apprenticeships [Accessed via: [www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx](http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx)], pg 19, Figure 4.1

133 This can rise to £9,250 if the university participates in the Teaching and Excellence Framework (TEF)

134 OfS, 2019, Process for submission and assessment [Accessed via: [www.officeforstudents.org.uk/media/2c75e996-082e-4cbd-8b0b-5cb75796ba20/apps-processes-for-submission-and-assessment.pdf](http://www.officeforstudents.org.uk/media/2c75e996-082e-4cbd-8b0b-5cb75796ba20/apps-processes-for-submission-and-assessment.pdf)]

135 Office for Students, 2019, Monitoring data and outcomes: 2017–18 OFFA access agreements and HEFCE student premium funding [Accessed via: [www.officeforstudents.org.uk/data-and-analysis/monitoring-data-and-outcomes-2017-18-access-agreements-and-student-premium-funding/](http://www.officeforstudents.org.uk/data-and-analysis/monitoring-data-and-outcomes-2017-18-access-agreements-and-student-premium-funding/)]

136 OfS, 2019, Monitoring Outcomes [Accessed via: [www.officeforstudents.org.uk/media/00065f84-f4fe-4df4-82c6-0b809f30b543/ofs2018\\_37.pdf](http://www.officeforstudents.org.uk/media/00065f84-f4fe-4df4-82c6-0b809f30b543/ofs2018_37.pdf)] pg 4

- offer flexibility (for example, in relation to meeting deadlines, opening libraries on weekends and evenings, and being consistent with timetables); or
  - partner with employers (and engage LEPs) to design courses that are likely to meet local skills needs/have a good return in the market.
- The OfS recently introduced a ‘what works’ centre (the Centre for Transforming Access and Student Outcomes in Higher Education), which provides institutions with a platform for sharing best practice.<sup>137</sup> The OfS should work with HEIs to make sure this platform is also used to share effective methods of engagement when it comes to higher-level apprenticeships. Promoting these apprenticeships requires a different approach, not least because it involves employment, and so institutions would benefit from knowing about any effective techniques in this nascent field of study.
- As we have outlined in this section, the lack of careers advice on apprenticeships is also, in part, likely to drive the fact that relatively few disadvantaged people access higher-level apprenticeships. Section 7 of this report explores information, guidance and advice for apprenticeships, and includes recommendations that would help to address this.

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137 OfS, 2019, Regulatory Notice 1 [Accessed via: [www.officeforstudents.org.uk/media/0bcce522-df4b-4517-a4fd-101c2468444a/regulatory-notice-1-access-and-participation-plan-guidance.pdf](http://www.officeforstudents.org.uk/media/0bcce522-df4b-4517-a4fd-101c2468444a/regulatory-notice-1-access-and-participation-plan-guidance.pdf)], pg 22

## chapter four

# There is substantial untapped potential for apprenticeships among SMEs

### 4.1 Non-levy payers effectively operate in a capped market

The apprenticeships system for levy payers is employer-led: employers pay into a levy pot and can reclaim all of this (plus an uplift from government) if they use it to start apprenticeships, and they can draw on further funds if necessary. However, non-levy payers operate in a world in which apprenticeships are effectively capped.

Until recently, non-levy payers who wanted to unlock government funding to support their apprenticeship training had to first identify training providers that had been awarded government contracts to train non-levy apprentices.<sup>138</sup> From January 2020, non-levy employers could instead access a new digital apprenticeship system known as the Apprenticeship Service.<sup>139</sup> Under this new system, non-levy employers are able to apply for funds to support apprenticeship training. However, currently, the number of successful applications they can make is capped at 3 apprentices (for an undetermined period) and the ESFA reserves the right to adjust the rules.<sup>140</sup>

Procured non-levy contracts will be extended in a transition phase, while the ESFA brings all employers onto the Apprenticeship Service, and the ESFA hopes that the Apprenticeship Service will be used for all starts by April 2021.<sup>141</sup> The original plan had been that the ESFA would end all contracts by 31 October 2020, in preparation for a transition to the

138 ESFA, Apprenticeship Performance-Management Rules for Training Providers: 2019. [Accessed on 31/07/2019 via [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/801046/Apprenticeship\\_performance-management\\_rules\\_Version\\_2\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801046/Apprenticeship_performance-management_rules_Version_2_.pdf)]

139 ESFA, 2019, ESFA Update further education: 30 October 2019 [Accessed via: [www.gov.uk/government/publications/esfa-update-30-october-2019/esfa-update-further-education-30-october-2019#information-esfa-confirms-smes-can-access-the-apprenticeship-service-from-january-2020](http://www.gov.uk/government/publications/esfa-update-30-october-2019/esfa-update-further-education-30-october-2019#information-esfa-confirms-smes-can-access-the-apprenticeship-service-from-january-2020)]

140 FE Week, 2020, Small employers finally given access to all registered providers – but for just 3 apprentices [Accessed via: <https://feweek.co.uk/2020/01/09/small-employers-finally-given-access-to-all-registered-providers-but-for-just-3-apprentices/>]

141 ESFA, 2020, ESFA Update further education: 6 May 2020 [Accessed via: [www.gov.uk/government/publications/esfa-update-6-may-2020/esfa-update-further-education-6-may-2020](http://www.gov.uk/government/publications/esfa-update-6-may-2020/esfa-update-further-education-6-may-2020)]

Apprenticeship Service on 1 November. However, due to the current pandemic, “funds available for new starts on non-levy procured contracts can now be used until 31 March 2021.”<sup>142</sup> It is unclear whether any new money is made available for these contracts.

## 4.2 We are also facing an overspend on the levy fund, which means non-levy apprenticeships risk being crowded out

If levy-paying employers have any unspent levy funds in their service accounts after 24 months, these funds are diverted into a central levy pot. These residual funds are currently substantial. Between May 2019 and January 2020, for instance, £492 million expired in levy service accounts.<sup>143</sup> Residual levy funds are currently used to help non-levy payers set up apprenticeships. They are also used to help other levy-paying employers co-fund apprenticeships once they have exhausted their own levy accounts (for example, in the financial year April 2018 – March 2019, the value of co-investment funded training for levy payers that used all of their levy was £8 million, or £36,363 for each business that overspent their levy contributions).<sup>144</sup> And residual funds are also used to pay for additional subsidies, including the care leaver bursary and other disadvantaged uplifts.<sup>145</sup>

**There is a real risk that residual funds will be soon be squeezed. This is because there has been greater-than-expected demand from levy-paying employers for apprenticeships, many of which are expensive, higher-level apprenticeships.**

However, there is a real risk that residual funds will be soon be squeezed. This is because there has been greater-than-expected demand from levy-paying employers for apprenticeships, many of which are expensive, higher-level apprenticeships. And in the absence of further investment, it is likely that yearly levy funds will start being exhausted. Between April 2018 and March 2019, 1,520 of the 16,140 registered employers spent the entire levy amount they declared in that year. Of this amount, 1,300 had not done so in the previous year,<sup>146</sup> which suggests an increasing number of levy payers are using more than or at least all of their levy pots. It also means that more levy payers may want to use residual funds in the central levy pot once they have exhausted their initial commitment.

Speaking to the Public Accounts Committee, the Permanent Secretary for the DfE, Jonathan Slater, said that, based on the then current take-up rate of apprenticeships, the apprenticeship programme could be “significantly overspent.”<sup>147</sup> The National Audit Office estimated that, in 2019/20, in a high demand scenario from levy payers, the budget could be overspent by around £72 million, and could be “significantly” overspent in 2020/21, although there is no

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142 Ibid, Chapter 6: Information: non levy procured apprenticeships contracts

143 House of Commons Library, 2019, Written Question 15115 [Accessed via: [www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-02-12/15115/](http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-02-12/15115/)]

144 CSJ's freedom of information request to the Education and Skills Funding Agency in November 2019

145 DfE, 2019, Apprenticeship funding in England from April 2019 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/788312/Apprenticeship\\_funding\\_in\\_England\\_from\\_April\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788312/Apprenticeship_funding_in_England_from_April_2019.pdf)], pg 7

146 CSJ's freedom of information request to the Education and Skills Funding Agency in November 2019

147 Public Accounts Committee, 2019, Oral evidence: the apprenticeship programme: progress review, HC 1749 [Accessed via: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/the-apprenticeships-programme-progress-review/oral/98754.html>]

firm indication of the scale of this latter forecast.<sup>148</sup> The Learning and Work Institute estimates that the budget may be overspent by around £1 billion “in the coming years.”<sup>149</sup>

In the absence of further action, it is likely, therefore, that the levy fund will not be sufficiently large to meet natural demand for apprenticeships from both levy payers and non-levy payers.<sup>150</sup> Not only might this dampen the number of apprenticeship starts more generally, it may also have a particularly negative effect on lower-level apprenticeships. This is because non-levy employers are more likely to offer lower-level apprenticeships than their peers: 89.2 per cent of all apprenticeship starts at non-levy payers are at levels 2 (43.1 per cent) or 3 (46.1 per cent), whereas the commensurate rate at levy payers is 74.6 per cent in 2018/19.<sup>151, 152</sup>

### 4.3 There is substantial unmet demand in SMEs for apprenticeships, and we risk suppressing demand on a substantial scale

The reason why the points we outline in sections 4.1 and 4.2 are so problematic, is that demand for apprenticeships from non-levy employers is much greater than the government-backed training available to them. For instance, 74 per cent of providers who had contracts to provide non-levy payers’ training reported that their contracts were not sufficiently broad to meet demand in 2019.<sup>153</sup> And a third of providers said that that they would need a 25 per cent rise in funding to meet demand from non-levy employers.<sup>154</sup>

According to one study in 2019, 17.4 per cent of providers who had contracts to deliver training to non-levy payers said that they stopped recruiting new apprentices because they lacked sufficient funding to do so. 24.4 per cent of respondents who were asked by non-levy employers to train their apprentices, had to turn them away because they did not have enough capacity in their contracts to meet this demand.<sup>155</sup> And according to the head of the IfATE, in January 2020, non-levy payers lacked the resources to fund around 85,000 apprenticeships.<sup>156</sup>

**According to the head of the IfATE, in January 2020, non-levy payers lacked the resources to fund around 85,000 apprenticeships.**

148 National Audit Office, 2019, The apprenticeship programme [Accessed via: [www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf](http://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf)] pg 7

149 Learning and Work Institute, 2019, Bridging the gap: next steps for the apprenticeship levy [Accessed via: [www.learningandwork.org.uk/resource/bridging-the-gap-next-steps-for-the-apprenticeship-levy/](http://www.learningandwork.org.uk/resource/bridging-the-gap-next-steps-for-the-apprenticeship-levy/)]

150 National Audit Office, 2019, The Apprenticeships Programme [Accessed on 24/07/2019 via [www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf](http://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf)]

151 This may also include apprenticeships that were “transferred commitments,” but these numbered only 1,020 as at August 2019” – DfE, 2019, Apprenticeship and levy statistics: October 2019 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/837900/Apprenticeship-and-levy-statistics-October-2019-main-text-2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/837900/Apprenticeship-and-levy-statistics-October-2019-main-text-2.pdf)]

152 CSJ analysis of DfE data: DfE, 2019, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]

153 N = 109

154 AELP, 2019, Levy shortage starving small firms of apprenticeships poses early test for Johnson campaign pledge [Accessed via: [www.aelp.org.uk/news/news/press-releases/levy-shortage-starving-small-firms-of-apprenticeships-poses-early-test-for-johnson-campaign-pledge/](http://www.aelp.org.uk/news/news/press-releases/levy-shortage-starving-small-firms-of-apprenticeships-poses-early-test-for-johnson-campaign-pledge/)]

155 AELP, 2019, Levy shortages starving small firms of apprenticeships poses early test for Johnson campaign pledge [Accessed via: [www.aelp.org.uk/news/news/press-releases/levy-shortage-starving-small-firms-of-apprenticeships-poses-early-test-for-johnson-campaign-pledge/](http://www.aelp.org.uk/news/news/press-releases/levy-shortage-starving-small-firms-of-apprenticeships-poses-early-test-for-johnson-campaign-pledge/)]

156 Financial Times, 2020, Apprenticeships chief urges plugging of funding gap [Accessed via: [www.ft.com/content/1859b492-3b98-11ea-a01a-bae547046735](http://www.ft.com/content/1859b492-3b98-11ea-a01a-bae547046735)]

## 4.4 Recommendation

### Recommendation 7

Remove the effective cap on government-funded training for SMEs by introducing a specific ring-fenced non-levy budget.

- Our model still does not genuinely reflect SME demand. The apprenticeships system for levy payers is employer-led: employers pay into a levy pot and can reclaim all of this (plus an uplift from government) if they use it to start apprenticeships, and they can draw on further funds if necessary. However, non-levy payers operate in a world in which apprenticeships are effectively capped: they can apply for funding to support training costs but applications will not necessarily be approved, and the government limits the number of apprenticeships it supports each month. There is considerable untapped potential for apprenticeships among non-levy payers: in January 2020, non-levy payers lacked the resources to fund around 85,000 apprenticeships.<sup>157</sup>
- SMEs that are too small to pay the levy represent 97 per cent of organisations in England<sup>158</sup> and we risk suppressing latent demand on an imposing scale. We need a truly demand-led system, where apprenticeship numbers flow to their natural destinations. Because many non-levy payers cannot afford the associated training costs, that will never happen unless the government removes the cap on government-backed training provision. It should instead set up a specific non-levy fund to support the training costs associated with approved apprenticeships (except for people who already hold a degree, for the same reasons we outline in Recommendation 10).
- If the government wanted to limit expenditure, it could consider restricting this offer to certain sectors and occupations where there are skills gaps and shortages – for example social workers, programmers and software developers, IT and communications professionals, web designers/developers, various construction and engineering roles, several creative industries, quantity surveyors, chefs or nurses.<sup>159</sup>

<sup>157</sup> Financial Times, 2020, Apprenticeships chief urges plugging of funding gap [Accessed via: [www.ft.com/content/1859b492-3b98-11ea-a01a-bae547046735](http://www.ft.com/content/1859b492-3b98-11ea-a01a-bae547046735)]

<sup>158</sup> UCAN, Company Overview [Accessed via: <https://ucan.co.uk/company/>]

<sup>159</sup> HMG, 2020, Immigration rules Appendix K: shortage occupation list [Accessed via: [www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list](http://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list)]

## chapter five

# The pandemic risks flattening investment in training, and we need radical action to address this

### 5.1 The pandemic has damaged the economy and employers will be highly risk averse

The pandemic has dealt the economy a hammer blow. As we pick ourselves up from lockdown, our jobs market will not resemble the one we previously occupied. Between February and April 2020, GDP fell by an eye-watering 25 per cent.<sup>160</sup> At the time of writing, 8.7 million people had been furloughed at a monthly cost of £10.5 billion between April and June 2020, and a projected overall cost of £60 billion by the time the scheme winds down.<sup>161</sup> And between 16 March and 19 May 2020, there were 2.8 million Universal Credit claims (which works out at around 43,000 a day – up from 11,000 a day between 1 March and 15 March).<sup>162</sup>

But there is more still. Around 800,000 young people aged 18–24 are expected to join the labour market this year, only to face a barren terrain; according to one projection, the number of 18–24-year-olds not in education, employment or training could rise to one million in the next year.<sup>163</sup> All these individuals will need to train quickly, both to meet emerging demand in sectors that are still growing despite the pandemic, and to capitalise on new jobs as the economy bounces back.

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<sup>160</sup> Office for Budget Responsibility, Public Sector Finances: May 2020, accessed via: <https://obr.uk/docs/June-2020-Commentary-on-the-public-sector-finances.pdf>

<sup>161</sup> Office for Budget Responsibility, Coronavirus policy monitoring database, 4 June 2020, accessed via: <https://obr.uk/coronavirus-analysis/>

<sup>162</sup> Ibid

<sup>163</sup> Learning and Work Institute, 2020, Emergency Exit: How we get Britain back to work, accessed via: <https://learningandwork.org.uk/news-and-policy/introduce-plan-for-jobs-to-prevent-great-depression-levels-of-unemployment/>

The government will, of course, need to devise a full range of employment and training options, and apprenticeships will not be suitable for everyone. But they should be right at the heart of the recovery. They give people the opportunity to develop new skills, and the tangible prospect of a job beyond that, without incurring any debt. And they track demand in the market dynamically, therefore helping to boost our economy.

**As of April 2020, just 58 per cent of employers were confident all their apprentices would return once economic restrictions were relaxed.**

However, the government must act quickly if apprenticeships are to play their part. The apprenticeships sector is already reeling from the pandemic. As of April 2020, only 39 per cent of apprenticeships were continuing as normal, 8 per cent of apprentices had been made redundant, and just 58 per cent of employers were confident all their apprentices would return once economic restrictions were relaxed.<sup>164</sup> As the blizzard of events continues to unfold, employers are likely to be highly risk averse when it comes to investing in training.

## 5.2 Recommendations

### Recommendation 8

Introduce a time-limited wage subsidy for new 16–24-year-old apprentices.

- The government should introduce a time-limited wage subsidy for 16–24-year old apprentices. It should focus on this group because school leavers face a sparse jobs market, and young adults are particularly susceptible to unemployment or being furloughed.<sup>165</sup> It should set this subsidy at 75 per cent of wages. This would significantly de-risk the investment, while retaining buy-in from employers (and incentivising them to wage bargain, which would temper wage inflation). There should be a ceiling, equivalent to the average pay for a level 6 apprenticeship (£17,875),<sup>166</sup> which too would help deflect potential inflationary effects associated with a subsidised offer.
- To minimise ‘fire and re-hire’, any employer who, after the scheme’s announcement, made an apprentice redundant during the scheme’s lifecycle, would no longer be able to benefit from it. Employers could be allowed to rehire apprentices whom they have made redundant during the pandemic (but prior to the announcement of the scheme).
- If the government wanted to limit expenditure, it could consider restricting this offer to certain sectors and occupations where there are skills gaps and shortages – for example social workers, programmers and software developers, IT and communications

<sup>164</sup> The Sutton Trust, 2020, COVID-19 and Social Mobility Impact Brief #3: Apprenticeships [Accessed via: [www.suttontrust.com/wp-content/uploads/2020/05/Covid-19-Impacts-Apprenticeships.pdf](http://www.suttontrust.com/wp-content/uploads/2020/05/Covid-19-Impacts-Apprenticeships.pdf)]

<sup>165</sup> Learning and Work Institute, 2020, Emergency Exit: How we get Britain back to work, accessed via: <https://learningandwork.org.uk/news-and-policy/introduce-plan-for-jobs-to-prevent-great-depression-levels-of-unemployment/>

<sup>166</sup> IDR, 2020, Pay Benchmarker [Accessed at: [www.incomesdataresearch.co.uk/resources/news/apprentice-salary-data-now-available-in-pay-benchmarker](http://www.incomesdataresearch.co.uk/resources/news/apprentice-salary-data-now-available-in-pay-benchmarker)]

professionals, web designers/developers, various construction/engineering roles, several creative industries, secondary education teaching professionals, quantity surveyors, chefs or nurses.<sup>167</sup>

- If the net result of these measures is a spike in apprenticeships, we could also see a long-term cultural shift towards more vocational training – and with it, a more seamless alignment between our skills gaps and the training people undertake.

## Recommendation 9

Harness the government's role as an enormous public sector employer.

- The government has extraordinary leverage over training opportunities in the public sector. In 2017, it issued a public sector target for apprenticeships: between 1 April 2017 and 31 March 2021, public sector bodies in England with 250+ staff should aim to employ at least 2.3 per cent of their headcount as new apprentices each year (averaged over the four-year period). The latest available statistics suggested that many public bodies would have to make up significant ground to achieve this; in 2017/2018, just 11 per cent of them had met this goal.<sup>168</sup>
- There are plenty of ways the government could hoist numbers up to a healthier level. It could, for instance, promote apprenticeships to fill public-sector vacancies – for example in nursing and teaching. The current number of NHS vacancies stands at 100,500 in 2019, and is particularly high in the nursing workforce.<sup>169</sup> Some observers estimate that there are 43,617 vacancies for nurses.<sup>170</sup> In 2018/19, there were only 220 starts on the “teacher” (level 6) apprenticeship standards, which amounts to just 0.049 per cent of the workforce in state-funded schools.<sup>171</sup>
- It could also harness major infrastructure projects, including plans to expand high-speed broadband, rebuild schools, develop green buses and deliver HS2; many of the jobs associated with these projects would be well suited to the apprenticeship model. And where the government contracts out to private providers, it could promote apprenticeships in the terms of its offer; given that it spends £255 billion a year (around a third of public spending) on procurement,<sup>172</sup> there is substantial opportunity here.

167 HMG, 2020, Immigration rules Appendix K: shortage occupation list [Accessed via: [www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list](http://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list)]

168 DfE, 2018, Public sector apprenticeships in England: 2017 to 2018 [Accessed via: [www.gov.uk/government/statistics/public-sector-apprenticeships-in-england-2017-to-2018](http://www.gov.uk/government/statistics/public-sector-apprenticeships-in-england-2017-to-2018)]

169 ONS, 2019, What are the vacancy trends in the public sector? [Accessed via: [www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicspending/articles/whatarethevacancytrendsinthepublicsector/2019-08-06](http://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicspending/articles/whatarethevacancytrendsinthepublicsector/2019-08-06)]

170 Nursing Times, 2019, NHS nurse vacancies in England rise to more than 43,000 [Accessed via: [www.nursingtimes.net/news/workforce/nhs-nurse-vacancies-in-england-rise-to-more-than-43000-08-10-2019/](http://www.nursingtimes.net/news/workforce/nhs-nurse-vacancies-in-england-rise-to-more-than-43000-08-10-2019/)]

171 CSJ analysis of DfE data: DfE, 2019, School workforce in England: November 2019 [Accessed via: [www.gov.uk/government/statistics/school-workforce-in-england-november-2019](http://www.gov.uk/government/statistics/school-workforce-in-england-november-2019)]

172 House of Commons Library, 2018, Public procurement and contracts, accessed via: <https://commonslibrary.parliament.uk/research-briefings/sn06029/>

The government should also revise its public sector apprenticeships targets to place more emphasis on completion, rather than starts. As we outline later in this report, the non-continuation rate for apprenticeships is already high; by pursuing a public sector target figure that is predicated on starts rather than completion, there is a risk that some new apprentices may not be properly assessed for their suitability, or that suitable apprentices may not always receive the support they need to complete.

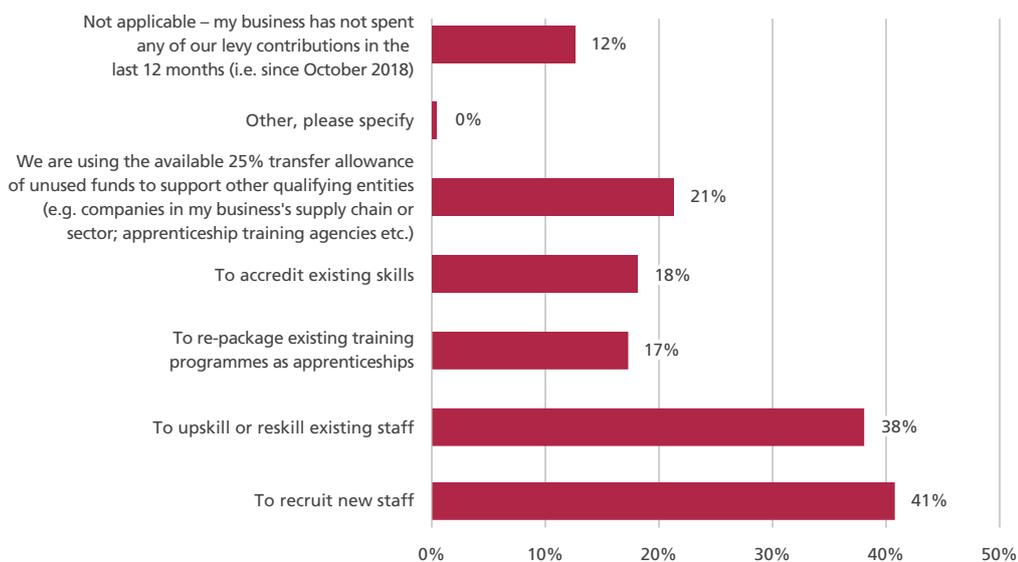
## chapter six

# The apprenticeship levy is not functioning as well as it should be

### 6.1 Employers use the levy in several ways

Since its inception, the levy has drawn a lot of speculation about its utility to levy-paying employers, the extent to which employers are using levy funds, and how employers are using these funds. We wanted to develop an up-to-date impression of these elements, and commissioned YouGov to carry out a survey of private sector employers. The results of our survey are outlined in Figure 6.

Figure 6: Ways in which levy-paying employers have used the apprenticeship levy in the last twelve months in England (i.e. since October 2018), excluding those who did not know (unweighted base = 311)



Source: CSJ/YouGov<sup>173</sup>

173 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

## 6.2 Some employers are rebadging existing training schemes as apprenticeships

Rebadging is the process of converting existing training programmes (such as graduate training schemes or professional development training) into apprenticeships. Our YouGov polling shows that 17 per cent of levy-paying employers in England used the apprenticeship levy to rebadge existing training in the 12 months prior to being surveyed.<sup>174</sup>

**Our YouGov polling shows that 17 per cent of levy-paying employers in England used the apprenticeship levy to rebadge existing training in the 12 months prior to being surveyed.**

Other studies, too, have unearthed examples of rebadging. Since the introduction of the levy, for example, the ESFA, Ofsted<sup>175</sup> and the NAO<sup>176</sup> have all recognised that some training programmes are being rebadged as apprenticeships (although it is unclear how prevalent this was in their studies). In addition, according to a BPP survey of employers just before the levy's inception, 30 per cent of employers said they would consider converting a management and leadership programme into an apprenticeship; 53 per cent would do the same for a graduate programme; and 34 per cent would consider doing this for a school leaver programme.<sup>177</sup>

The DfE's own impact analysis before the levy's inception also flagged rebadging as a potential risk. The paper's authors forecast that levy-paying employers would expand the range of occupations they offered via apprenticeship routes, but they also expected some employers to convert continuous professional development programmes (particular those relating to leadership and management) into apprenticeships.<sup>178</sup>

Rebadging is problematic for two main reasons. First, it induces deadweight. This is at odds with the logic that underpinned the levy's inception; namely, that it would increase the overall stock of training in the jobs market, which would in turn allow individuals additional avenues to upskill or reskill and boost productivity. Ofsted captured this point aptly in a recent annual report, when it said that while rebadging "might meet the rules of the levy policy" it falls "well short of its spirit."<sup>179</sup> Second, rebadging does little to widen access to employment. And because the cost of apprenticeships is higher overall than other forms of training, rebadging may also hamper the volume of overall training opportunities that could otherwise have been generated.<sup>180</sup>

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174 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

175 Ofsted, 2018, Ofsted Annual Report 2017/18: education, children's services and skills [Accessed via: [www.gov.uk/government/publications/ofsted-annual-report-201718-education-childrens-services-and-skills](http://www.gov.uk/government/publications/ofsted-annual-report-201718-education-childrens-services-and-skills)] pg 15

176 NAO, 2019, The apprenticeship programme [Accessed via: [www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf](http://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf)] pg 11

177 UK Trendence Research, 2017, Employer guide: apprenticeship levy study [Accessed via: <https://s3-eu-west-1.amazonaws.com/bppassets/public/assets/pdf/handbooks/bpp-guide-the-apprenticeship-levy-study.pdf>]

178 DfE, 2016, The apprenticeship levy: how will employers respond? [Accessed via: [www.gov.uk/government/publications/the-apprenticeship-levy-how-will-employers-respond](http://www.gov.uk/government/publications/the-apprenticeship-levy-how-will-employers-respond)]

179 Ofsted, 2018, The Annual report of her majesty's chief inspector of Education, Children's Services and skills 2017/18 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/761606/29523\\_Ofsted\\_Annual\\_Report\\_2017-18\\_041218.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761606/29523_Ofsted_Annual_Report_2017-18_041218.pdf)] pg 15

180 OfS, 2019, Degree Apprenticeships: a viable alternative? [Accessed via: [www.officeforstudents.org.uk/media/c791216f-a1f1-4196-83c4-1449dbd013f0/insight-2-degree-apprenticeships.pdf](http://www.officeforstudents.org.uk/media/c791216f-a1f1-4196-83c4-1449dbd013f0/insight-2-degree-apprenticeships.pdf)]

## 6.3 Some businesses are using apprenticeships to accredit existing skills

Accrediting existing skills in this context is the practice of using an apprenticeship to award an employee a qualification for skills they already possess. Our YouGov polling shows that 18 per cent of levy-paying employers in England used the apprenticeship levy to accredit existing skills in the 12 months prior to being surveyed.<sup>181</sup> Even some public bodies have been criticised for accrediting existing skills rather than using apprenticeships to upskills or re-skill their workforce.<sup>182</sup> In addition, one recent survey suggested that 24 percent of employers who offered level 6 or 7 apprenticeships over other options did so because of the apprenticeship levy.<sup>183</sup>

**Our YouGov polling shows that 18 per cent of levy-paying employers in England used the apprenticeship levy to accredit existing skills in the 12 months prior to being surveyed.**

Using apprenticeships to accredit existing skills is problematic for two reasons. First, it induces deadweight. This is because resources are being used to teach skills, knowledge and behaviour that employees already possess. Second, it crowds out potential opportunities for other individuals who would arguably benefit more from upskilling or reskilling. For example, we know that in 2017, around 1.5 million of the English population were employed in jobs that were at high risk of automation, and 98.8 per cent of these individuals were qualified to level 3 or below; we also know that workers whose jobs are at high risk of being automated have a participation rate in training that is 21 per cent lower than those with a low risk of automation.<sup>184</sup>

Although some employers drive the practice of using apprenticeships to accredit existing skills, they cannot indulge this practice on their own (unless they also act as training providers). Training providers, too, must play a facilitating role where this occurs. Several Ofsted reports refer to examples where training providers have done exactly that.<sup>185, 186</sup> And in its Ofsted's Annual Report for 2017/18, it noted that some training providers enrolled apprentices who were "getting accreditation for knowledge and skills they already had."<sup>187</sup> And the specialist adviser for apprenticeships has reported that providers' lack of recognition of prior learning, and accreditation of pre-existing skills,<sup>188</sup> are some of the most frequently encountered problems in monitoring visits.

181 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

182 FE Week, 2019, HMRC criticised by Ofsted for uniform apprenticeship programme [Accessed via: <https://feweek.co.uk/2019/10/14/hmrc-criticised-by-ofsted-for-uniform-apprenticeship-programme/>]

183 DfE, Apprenticeships: employer survey 2018–19 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875561/Apprenticeships\\_Evaluation\\_-\\_Employer\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875561/Apprenticeships_Evaluation_-_Employer_Report.pdf)] Figure 10.3

184 OECD, 2019, Future ready adult learning [Accessed via: [www.oecd.org/unitedkingdom/Future-ready-adult-learning-2019-United-Kingdom.pdf](http://www.oecd.org/unitedkingdom/Future-ready-adult-learning-2019-United-Kingdom.pdf)]

185 Ofsted, 2019, Prospects Training International Limited Monitoring Visit [Accessed via: <https://files.api.ofsted.gov.uk/v1/file/50082439>]

186 Ofsted, 2017, FIRST4SKILLS Limited [Accessed via: <https://files.api.ofsted.gov.uk/v1/file/2664383>] pg 6

187 Ofsted, 2018, The Annual report of her majesty's chief inspector of Education, Children's Services and skills 2017/18 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/761606/29523\\_Ofsted\\_Annual\\_Report\\_2017-18\\_041218.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761606/29523_Ofsted_Annual_Report_2017-18_041218.pdf)] pg 15

188 Ofsted, 2019, Ofsted blog: schools, early years, further education and skills [Accessed via: <https://educationinspection.blog.gov.uk/2019/01/08/chris-jones-hmi-specialist-adviser-for-apprenticeships-on-ofsteds-new-provider-monitoring-visits/>]

The DfE and ESFA have taken some measures to prevent the use of apprenticeships to accredit existing skills. The DfE has, for example, released further guidance for training providers, employers and apprentices about the importance of initial assessment and recognition of prior learning.<sup>189</sup> Its guidance warns that, if there is no initial assessment of prior learning, apprenticeships risk being unnecessarily long and poor value for money.<sup>190</sup> In addition, the ESFA's funding rules insist that training providers should take account of prior learning. The ESFA has also started to sanction training providers if they do not recognise prior learning.

## 6.4 Recommendations

### Recommendation 10

The government should rebalance the levy so that it supports more young people.

- The mix of apprenticeships has, in recent years, been leaning away from school leavers and younger individuals, and more heavily towards older (and increasingly often highly skilled) individuals. In addition, according to CSJ/YouGov polling, over one in six levy-paying employers used levy funds to rebadge existing training (17 per cent), or to accredit skills that existing staff already had (18 per cent), in the year prior to being surveyed.<sup>191</sup> While our apprenticeships system should play a part in reskilling established workers, it must not crowd out opportunities for people who are about to join the market – particularly during the pandemic, which is rapidly extinguishing their prospects.
- Accordingly, individuals who hold an existing degree-level qualification should not be able to draw down on apprenticeship funds to undertake a degree-level apprenticeship (including funds from the new non-levy budget we propose above). These individuals should, instead, have access to student finance to support the costs of their degree-level apprenticeships.
- In addition, the government (rather than employers) should also fund the training costs associated with all 16–18-year old apprentices. All pupils are now obliged to remain in education or training until they are 18 and it should support the educational development of apprentices during this time.

189 ESFA, 2019, Apprenticeships: recognition of prior learning [Accessed via: [www.gov.uk/government/publications/apprenticeships-recognition-of-prior-learning](http://www.gov.uk/government/publications/apprenticeships-recognition-of-prior-learning)]

190 ESFA, 2019, Guidance: Apprenticeships: initial assessment to recognise prior learning [Accessed via: [www.gov.uk/government/publications/apprenticeships-recognition-of-prior-learning/apprenticeships-initial-assessment-to-recognise-prior-learning](http://www.gov.uk/government/publications/apprenticeships-recognition-of-prior-learning/apprenticeships-initial-assessment-to-recognise-prior-learning)]

191 NB: excluding respondents who didn't know how they spent their levy funds. YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

## Recommendation 11

All training providers should carry out rigorous assessments of prior learning before taking on new apprentices.

- The DfE and ESFA have taken some measures to prevent the use of apprenticeships to accredit existing skills. For instance, the ESFA has started to sanction training providers if they do not recognise prior learning. We learned from a freedom of information request that, between 1 May 2019 and 14 June 2019, the ESFA audited 41 providers who either “may” not have adhered to the ESFA’s rules on recognition of prior learning, or whose “control environment” could have been improved. Of these 41 providers, 25 (60 per cent) were deemed not to have adhered to the rules in at least one case. In total, these providers were sanctioned to the tune of £46,000.<sup>192</sup>
- We welcome this more robust recent approach to ensuring prior learning is recognised. However, a subsequent Freedom of Information request cast some doubt as to whether a similarly tough approach had been taken from 15 June 2019. According to this subsequent FOI, no further audits took place. If it is the case that measures have been relaxed, we strongly urge the ESFA to adopt its former, more robust, stance on the matter.

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<sup>192</sup> Using IfATE data on published standards (as at 23 October 2019)



## chapter seven

# Pupils know too little about apprenticeships, and employers are often unaware about the financial support that exists

### 7.1 There is a lack of good quality information, advice and guidance on apprenticeships in schools

Good quality careers advice is scarce in England. Just under one in five schools do not meet any of the eight Gatsby benchmarks, a series of internationally respected benchmarks that help governments quality assure advice in schools.<sup>193</sup> Only 37 per cent of schools meet at least half of these benchmarks. And on average, schools meet just three of the benchmarks.<sup>194, 195</sup>

The landscape is particularly underwhelming when it comes to advising pupils on apprenticeships, specifically. According to one study, only 41 per cent of 11–16-year-old pupils said that a teacher discussed the idea of an apprenticeship with them at school.<sup>196</sup> In part, this was due to a latent bias towards academic routes: just 21 per cent of teachers always or usually advised high performing students to opt for an apprenticeship over university, according to one analysis. In addition, 64 per cent of teachers said they would rarely or never advise high performing students to opt for an apprenticeship route over

193 The Careers & Enterprise Company, 2018, State of the Nation 2018: Careers and enterprise provision in England's schools [Accessed via: [www.careersandenterprise.co.uk/sites/default/files/uploaded/1084\\_state\\_of\\_the\\_nation\\_v9\\_digital2.pdf](http://www.careersandenterprise.co.uk/sites/default/files/uploaded/1084_state_of_the_nation_v9_digital2.pdf)] NB: total sample of 3,092 schools.

194 Careers and Enterprise Company 2019, State of the Nation 2019: careers and enterprise provision in England's schools [Accessed via: [www.careersandenterprise.co.uk/sites/default/files/uploaded/state\\_of\\_the\\_nation\\_2019\\_digital.pdf](http://www.careersandenterprise.co.uk/sites/default/files/uploaded/state_of_the_nation_2019_digital.pdf)]

195 The CEC does not provide data on whether disadvantaged schools are more likely to adhere to the Gatsby benchmarks than more advantaged schools.

196 Sutton Trust, 2018, Apprenticeship polling 2018 [Accessed via: [www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-4.pdf](http://www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-4.pdf)]

university; of those who fell within this bracket, 14 per cent cited negative views about the quality of apprenticeships, and 28 per cent thought the traditional university route unlocked better career prospects.

**According to one study, only 41 per cent of 11–16-year-old pupils said that a teacher discussed the idea of an apprenticeship with them at school.**

Lack of awareness of apprenticeships among some teachers may also explain why careers advice on apprenticeships is often sub-standard. According to one survey, for example, almost a fifth (19 per cent) of all classroom teachers and senior leaders said that they lacked information about apprenticeships in general, and a similar proportion (18 per cent) said that they lacked information about available apprenticeship options.<sup>197</sup>

Pupils, too, seem to know very little about them. According to one study, 81 per cent of students (in years 10 and 12) knew nothing or little about the application process for degree apprenticeships; 78 per cent knew little or nothing about subjects in which degree apprenticeships can be studied; 67 per cent knew little or nothing about course expenses; and 93 per cent lacked knowledge about course structure.<sup>198</sup> And an evaluation of learners' perceptions of degree apprenticeships in 2019 found that "almost without exception" learners came across these courses "by chance", through relatives or friends, rather than through careers advisors or schools and colleges.<sup>199</sup>

And parents also often feel that their children do not receive adequate information on apprenticeships. According to a survey of parents commissioned by Universities UK, only 17 per cent of parents agreed or strongly agreed that students were given adequate information about degree apprenticeships, while 45 per cent disagreed or disagreed strongly with this statement.<sup>200</sup>

## 7.2 Some schools are not adhering to legislation that aims to give pupils more access to information about technical qualifications and apprenticeships

In 2017, what became known as the "Baker Clause" was added to the Technical and Further Education Act 2017. According to this amendment, schools must allow an opportunity for a range of colleges and training providers to engage pupils in years 8 to 13 to discuss approved technical education qualifications or apprenticeships.<sup>201</sup> The same provision also obliges schools to publish policy statements outlining the arrangements they have made to allow colleges and training providers to engage their pupils, and

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197 Sutton Trust, 2018, Apprenticeship polling 2018 [Accessed via: [www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-tables.pdf](http://www.suttontrust.com/wp-content/uploads/2018/07/Apprenticeship-polling-2018-tables.pdf)]

198 Universities UK, 2019, The future of degree apprenticeships [Accessed via: <https://universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx>], Figure 4

199 Warwick Economic and Development, 2019, Degree Apprenticeship Development Fund Evaluation [Accessed via: [www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf](http://www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf)], pg 32–33

200 Universities UK, 2019, The future of degree apprenticeships [Accessed via: <https://universitiesuk.ac.uk/policy-and-analysis/reports/Pages/future-of-degree-apprenticeships.aspx>], pg 44, N = 80 parents

201 DfE, 2018, Careers guidance and access for education and training providers [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/748474/181008\\_schools\\_statutory\\_guidance\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/748474/181008_schools_statutory_guidance_final.pdf)] pg 9

the measures they have put in place to ensure their policies are followed.<sup>202</sup> However, as we outline below, there is evidence that some schools have not adhered to either of these requirements.

### Allowing colleges and training providers to advise pupils

According to a DfE-commissioned survey of secondary senior school leaders in 2018, one in ten secondary schools had not arranged a visit from an apprenticeship provider.<sup>203</sup> And according to a DfE-commissioned survey of FE providers, only 5 per cent of respondents thought that all schools in their areas allowed providers proper access to their pupils.<sup>204</sup>

More recent evidence suggests that this is improving. In another DfE-commissioned survey in summer 2019, six per cent of schools stated that almost all pupils had not had a “meaningful encounter with a range of learning providers such as colleges, universities and apprenticeships.” But an estimate of around 218 schools in England still do not adhere to the rule.<sup>205</sup>

### Publishing policy statements

According to a DfE-commissioned survey of secondary senior school leaders in 2018, three fifths of secondary schools had not published policies on their website outlining the arrangements they had made to allow colleges and training providers to advise their pupils; this means that only 1,384 out of 3,423 secondary school leaders said their school had done this.<sup>206</sup> And while a third of secondary schools planned to publish one on their websites, 24 per cent of senior leaders did not even know whether their schools had published such a policy.<sup>207</sup> Non-academy secondary schools were less likely to have published their policies online than academy schools: less than a third of non-academies had done this (32 per cent), while the figure for academies was 43 per cent. And there was a strong regional disparity in outcomes: for example, while only a third of secondary schools in London had done this, the figure in the East Midlands was 53 per cent.

202 DfE, 2018, Careers guidance and access for education and training providers [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/748474/181008\\_schools\\_statutory\\_guidance\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/748474/181008_schools_statutory_guidance_final.pdf)] pg 9

203 DfE, 2019, School Snapshot Survey Wave 3 Winter 2018 [Accessed via: [www.gov.uk/government/publications/school-snapshot-survey-winter-2018](http://www.gov.uk/government/publications/school-snapshot-survey-winter-2018)] Table 29

204 IPPR, 2019, The Baker Clause One Year On: briefing [Accessed via: [www.ippr.org/files/2019-01/the-baker-clause-one-year-on-january19.pdf](http://www.ippr.org/files/2019-01/the-baker-clause-one-year-on-january19.pdf)]

205 DfE, 2020, School Snapshot Survey: Summer 2019 [Accessed via: [www.gov.uk/government/publications/school-snapshot-survey-summer-2019](http://www.gov.uk/government/publications/school-snapshot-survey-summer-2019)], Table D1\_5

206 DfE, 2019, School Snapshot Survey Wave 3 Winter 2018 [Accessed via: [www.gov.uk/government/publications/school-snapshot-survey-winter-2018](http://www.gov.uk/government/publications/school-snapshot-survey-winter-2018)] Table 31

207 Ibid

## 7.3 Employers are often unaware of the support that exists for them

It is not just pupils who lack access to information, advice and guidance about apprenticeships. Many employers, too, are unaware of the support that exists to help them set up apprenticeships. This is clear to see in recent polling we commissioned from YouGov. We asked a representative sample of employers to confirm whether they were aware of a number of prominent forms of financial support available to them. As Table 2 highlights, although some employers did not have access to all forms of support, every employer was eligible for at least one form of financial support. Figure 7 outlines the results of our survey.

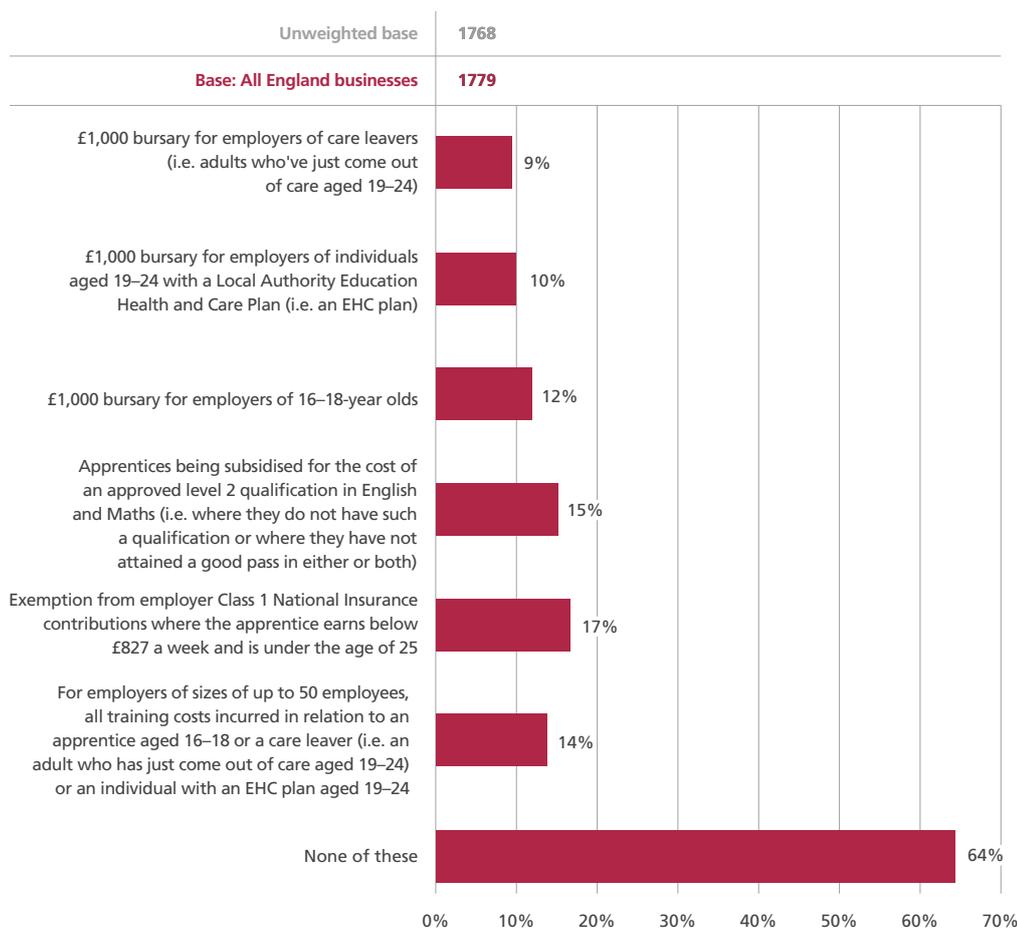
Table 2: Financial support available for employers in relation to apprenticeships

All employers eligible	Only small businesses (under 50 employees) eligible
Exemption from employer class 1 national insurance contributions where the apprentice earns below £827 per week, and is under the age of 25	All training costs incurred in relation to apprentices aged 16–18, care leavers (19–24), and apprentices with EHC plans (19–24)
Subsidies for the cost of level 2 qualifications in English and maths	
£1,000 bursaries for employers of 16–18-year-old apprentices	
£1,000 bursaries for employers of individuals with EHC plans (aged 19–24)	
£1,000 bursaries for employers of care leavers (aged 19–24)	

Source: DfE<sup>208</sup>

208 DfE, 2019, Apprenticeship funding rules and guidance for employers [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/786464/apprenticeship\\_funding\\_rules\\_and\\_guidance\\_for\\_employers\\_August\\_2018\\_to\\_July\\_2019\\_version\\_2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786464/apprenticeship_funding_rules_and_guidance_for_employers_August_2018_to_July_2019_version_2.pdf)]

Figure 7: Before taking this survey, which, if any, of the following supports available had you heard of? (Please select all that apply) (unweighted base = 1768)

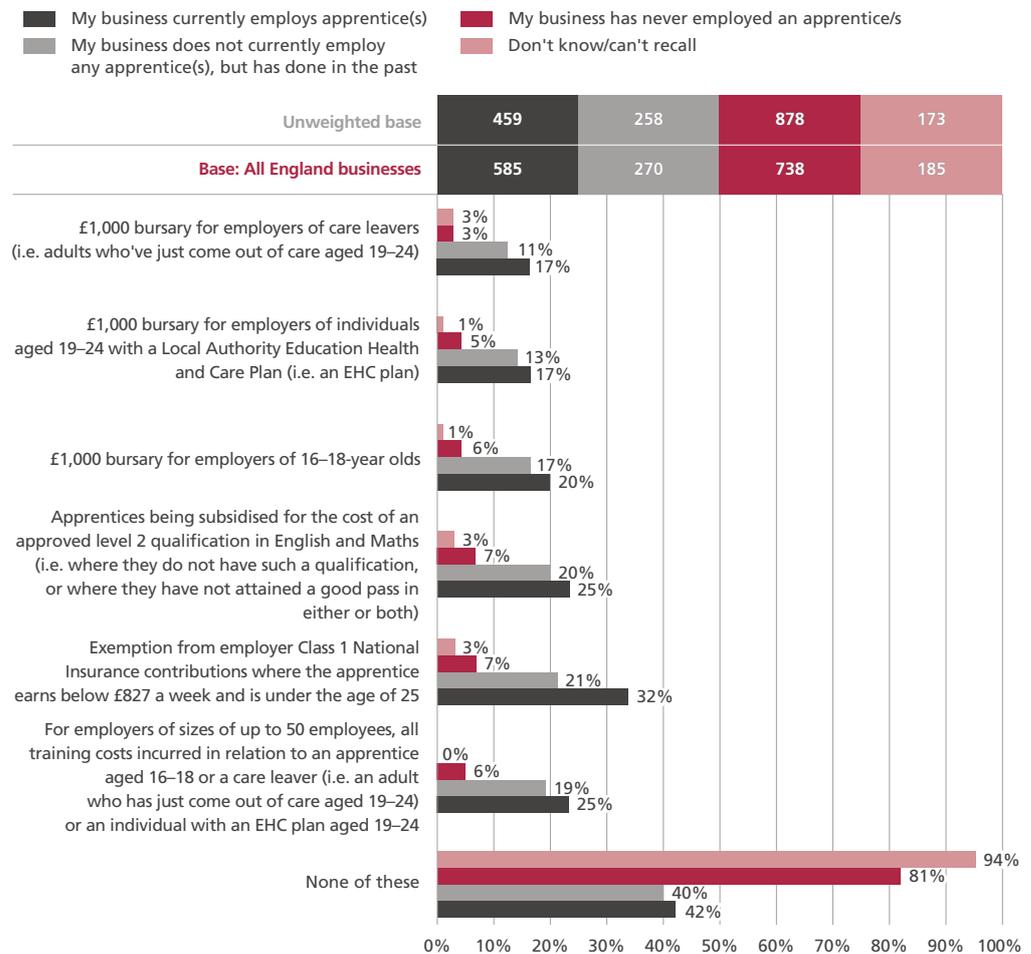


Source: CSJ/YouGov<sup>209</sup>

As Figure 7 illustrates, almost two thirds of all employers were not aware of any form of support, and their general awareness of each specific type of support was very low. As these figures relate to all employers, it is perhaps not surprising that some (particular those who did not have any experience of apprenticeships) had limited knowledge. To better understand awareness among employers who did have experience of apprenticeships, we distilled the headline data for employers who (at the time of the survey) currently employ apprentices; employers who have employed apprentices in the past but currently do not; and employers who have never employed apprentices. The results of this exercise are outlined in Figure 8.

209 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

Figure 8: Before taking this survey, which, if any, of the following supports available had you heard of? (Please select all that apply) (England, split by different experiences of apprenticeships) (Unweighted base = 1768)



Source: CSJ/YouGov<sup>210</sup>

The results are striking. We would expect businesses that have never employed apprentices to be less aware of support than those who have had experience of apprenticeships, and this is borne out in the data we received: 81 per cent of employers in this category are not aware of any form of available support.

But staggeringly, 42 per cent of employers who currently employ apprentices are not aware of any form of financial support available to them, and this figure is 40 per cent for employers who had employed apprentices in the past but no longer do so. In both cases, employers' awareness of each specific type of support is also surprisingly low.

**42 per cent of employers who currently employ apprentices are not aware of any form of financial support available to them.**

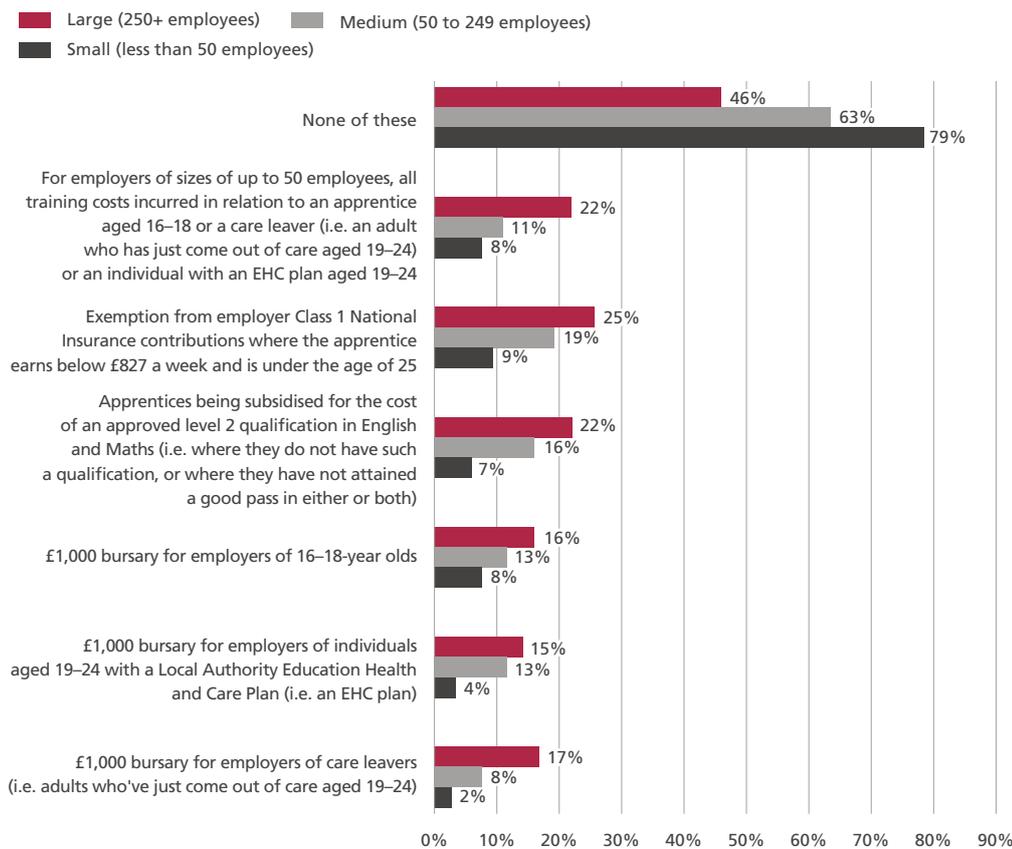
210 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

The highest recognition rate relates to an exemption for employer Class 1 NI contributions, by employers who currently employ apprentices. Even then, only 32 per cent of these employers are aware of this exemption. In many other cases, recognition rates are much lower.

In some instances, the support that is available to employers is very specific to particular cohorts, and employers may not become aware of it until they employ qualifying individuals – for instance, care leavers. But in other instances, the support that is available is far more general in nature. And in any event, it is problematic that so few employers know about more tailored forms of assistance, as it precisely this knowledge that may have prompted them to consider recruiting disadvantaged individuals who qualify for this help.

It is also concerning that employers who are most likely to benefit from additional support are the least likely to know about it. Unlike their larger counterparts, smaller employers are eligible for all of the forms of financial assistance we tested in our polling. And yet, as Figure 9 illustrates, these smaller employers are less likely to know about any form of existing support than their peers. 79 per cent of employers with fewer than 50 employees did not know about any forms of assistance, while the figure for employers who employed more than 250 people was 46 per cent.

Figure 9: Before taking this survey, which, if any, of the following supports available had you heard of? (Please select all that apply) (England, split by small, medium and large employers)



Source: CSJ/YouGov<sup>211</sup>

211 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

## 7.4 Recommendations

### **Recommendation 12**

The government should introduce a broader and deeper system of information, guidance and advice for apprenticeships.

- Much more needs to be done if we are to forge genuine parity between academic and vocational routes when it comes to the careers advice we offer our pupils. The Careers and Enterprise Company (CEC) was created in 2015 and its mission is to “prepare and inspire young people for the fast-changing world of work”. The CEC’s initial remit has grown quickly, and it now controls considerable resources. Given its reach, the CEC should play a more prominent role in promoting apprenticeships than it currently does.
- DfE should, therefore, place a stronger emphasis on apprenticeships in its funding agreement with the CEC. The latest funding agreement only mentions apprenticeships once. This relates to a key performance indicator that says the CEC should set up a “FE Steering Group to integrate ITPs and apprenticeship sector” – which itself sits among a broader suite of other KPIs that together have drawn £75,000 of an annual budget of £28.8 million.<sup>212</sup> While some of the other budgeted activities may also help pupils develop their awareness of apprenticeships, there should be a much stronger strategic emphasis on raising the profile of apprenticeships, specifically.
- While the government collects outcomes data on returns to different courses, the information that flows from this data into the public domain is not always as concise, granular and accessible as it could be – particularly when it comes to vocational options. It is, therefore, difficult for members of the public to readily distil reliable data about the likely returns in each case. Not only does this potentially impede the quality of decisions people make about their futures; it also potentially undermines the brand power of some routes by obscuring their returns from plain site. Once it has the data to do so, the government should publish consolidated outcomes data (including on average wages, destinations, and employment at several longitudinal intervals) for all apprenticeship standards in a user-friendly format.

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212 [www.careersandenterprise.co.uk/sites/default/files/cec\\_gfa\\_20-21\\_final\\_-\\_for\\_publication.pdf](http://www.careersandenterprise.co.uk/sites/default/files/cec_gfa_20-21_final_-_for_publication.pdf)

### Recommendation 13

The government should implement the ‘Baker clause’ more fully.

- In 2017, what became known as the “Baker Clause” was added to the Technical and Further Education Act 2017. According to this amendment, schools must allow an opportunity for colleges and training providers to engage pupils in years 8 to 13 to discuss approved technical education qualifications or apprenticeships. The same provision also obliges schools to publish policy statements outlining the arrangements they have made to allow colleges and training providers to engage their pupils, and the measures they have put in place to ensure their policies are followed. However, some schools are still not adhering to these requirements.
- The government’s response to non-compliance has tended to be relatively sparse and lenient. For example, in response to a Freedom of Information request, the DfE confirmed that no action was taken against schools in England that failed to comply with the Baker clause between 2 January 2018 and 2 January 2019, and the department had instead written letters to five of the largest multi-academy trusts to remind them of their obligations.<sup>213</sup> The DfE should take a more robust stance in cases of non-compliance, and should use the full force of its powers to intervene where it is clear that schools are not complying.

### Recommendation 14

The new digital Apprenticeship Service should build in automated messages to inform employers about the support that is available to them.

- Some of the support available to employers is substantial. For instance, an organisation that employs an apprentice at age 24, on the median apprentice salary for a level 4 apprenticeship, could save nearly £2,022 through the Class 1 National Insurance exemption alone.<sup>214</sup> But this is not an automatic benefit and employers must apply for the relief.<sup>215</sup>
- In the government’s budget statement on 11 March 2020, it committed £5 million to improve the capacity and functionality of its digital Apprenticeship Service.<sup>216</sup> It should use some of these funds to integrate automatic pop-ups to inform registered employers of the support available to them.

213 ‘DfE Took No Action Against Schools That Ignored New Careers Duty’, *Schools Week*, 9 February 2019 [Accessed via: <https://schoolsweek.co.uk/dfe-took-no-action-against-schools-that-ignored-new-careers-duty/>]

214 Calculated by subtracting £23,290 from the lower threshold (£8,632 for 2019/20 year), and calculating 13.8 per cent of this difference. NB: employers already do not have to pay national insurance contribution for under 21s up to the upper earning limit.

215 HMRC, 2016, Paying Employer national insurance contributions for apprentices under 25 [Accessed via: [www.gov.uk/government/publications/national-insurance-contributions-for-under-25s-employer-guide/paying-employer-national-insurance-contributions-for-apprentices-under-25](http://www.gov.uk/government/publications/national-insurance-contributions-for-under-25s-employer-guide/paying-employer-national-insurance-contributions-for-apprentices-under-25)]

216 DfE, Digital marketplace: Supplier opportunities: Apprenticeship service agile service for cloud delivery – agile delivery specialists [Accessed via: [www.digitalmarketplace.service.gov.uk/digital-outcomes-and-specialists/opportunities/12285](http://www.digitalmarketplace.service.gov.uk/digital-outcomes-and-specialists/opportunities/12285)]

- The new digital Apprenticeship Service should also include a productivity calculator to demonstrate the likely return on investment on different apprenticeships. Harper Adams University has already devised such a tool for degree apprenticeships, and the DfE should devise an equivalent tool for all apprenticeships, based on the latest labour market information.<sup>217</sup>

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<sup>217</sup> Warwick Economics and Development, 2019, Degree Apprenticeship Development Fund Evaluation [Accessed via: [www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf](http://www.officeforstudents.org.uk/media/7cd79cd8-536f-49e5-a55f-ebd83b344b16/dadf-evaluation.pdf)], pg 26

## chapter eight

# There are excellent training providers, but overall provision is a patchwork of varying quality and availability

### 8.1 Although the training provider market is growing, employers can struggle to find providers

#### 8.1.1 In some cases, options are limited when it comes to accessing training providers

A number of different entities offer training provision for apprenticeships, including FE colleges, independent training providers (ITPs), universities and employers themselves. Providers must be approved by the Education and Skills Funding Agency (ESFA), which oversees a register of approved providers. According to this register, there are more than 2,000 training providers in the market at the time of writing, 1,619 of which are classed as the “main” or “employer” provider.<sup>218</sup> 70.9 per cent are independent training providers, 14.9 per cent are colleges, 8.6 per cent are community learning and skills providers, and 5.2 per cent are higher education providers.<sup>219</sup> In terms of the share of learners for 2018-19 in England, the figures are 66 per cent, 25.2 per cent, 4.5 per cent, and 4.2 per cent, respectively.<sup>220</sup>

218 ESFA, 2019, Register of apprenticeship training providers [Accessed via: <https://roatp.apprenticeships.education.gov.uk/download>]

219 CSJ matching analysis of the Register of Approved Training Providers and Ofsted inspection data. Ibid; Ofsted, 2019, Further education and skills inspections and outcomes: management information from September 2018 to August 2019 [Accessed via: [www.gov.uk/government/statistical-data-sets/further-education-and-skills-inspections-and-outcomes-management-information-from-september-2018-to-august-2019](http://www.gov.uk/government/statistical-data-sets/further-education-and-skills-inspections-and-outcomes-management-information-from-september-2018-to-august-2019)] NB: the CSJ matched 1,238 training providers out of 1,619 main and employer providers that are on the Register. This equates to a 76 per cent match rate.

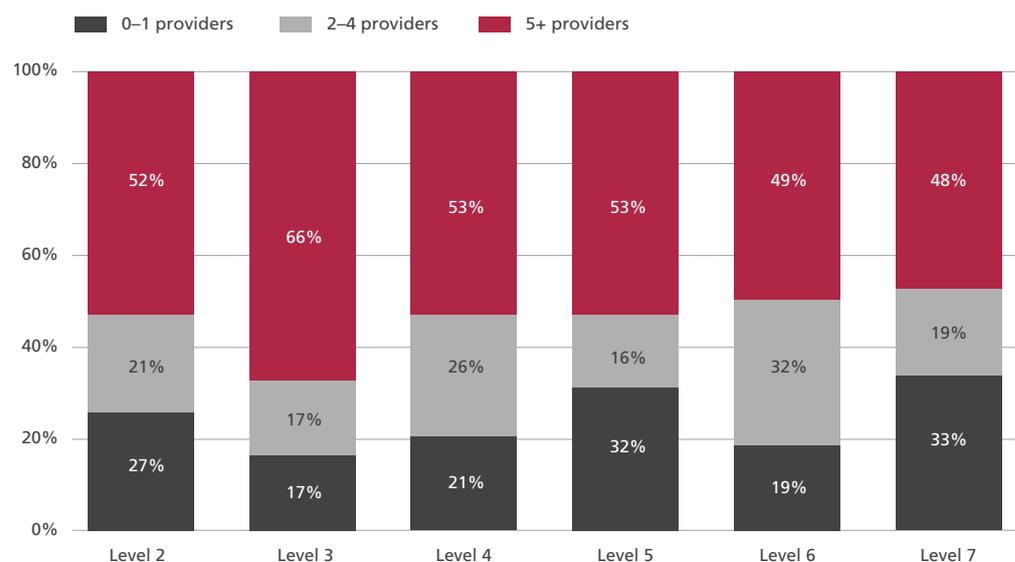
220 CSJ matching analysis with 2018-19 apprenticeship starts data: DfE, 2019, Apprenticeship and Traineeship statistics [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)] NB: the CSJ was able to match 1,172 providers (94.7 per cent) and 374,772 starts (95.2 per cent).

We sent a freedom of information (FOI) request to the ESFA to determine how many training providers offer courses for each apprenticeship standard. As of 3 September 2019, of the 404 standards that had been approved for delivery:

- 8 per cent (32) of those standards were affiliated with no training provider at all;
- over a fifth of those standards (84) were affiliated with either no training provider or just one provider; and
- 33 per cent (133) of those standards were affiliated with two providers.

Figure 10 sets out further details of the results we received, and raises concerns about how easy it is for employers to access training provision. Access to training for 26.7 per cent of level 2 standards is poor (one or no providers). In other cases, provision is even scarcer; for example, access to training for 31.6 per cent of level 5 standards, and 33.3 of level 7 standards, is poor (one or no providers). Poor access to training is problematic because it hinders the expansion of apprenticeships. It also suppresses competitive market dynamics, which can compromise the standard of provision on offer and increase the cost of training.

Figure 10: Density of providers that are associated with standards, as a proportion of all published standards, by level



Source: IfATE<sup>221</sup>

### 8.1.2 We lack a nuanced understanding of the geographical spread of training providers, and therefore where there are gaps in the market

While some apprenticeship standards are not associated with any training providers, 26 standards are each associated with more than 100 providers. Table 3 sets out the standards that have the highest number of associated training providers. However, we lack a nuanced understanding of the geographical spread of training providers relative to standards. We do not know where they are based or what type of training they offer in each case.

221 Freedom of Information Request to the Institute for Apprenticeships and Technical Education. Received November 2019.

Table 3: Standards with the highest number of associated providers, as at September 2019

Standard	Number of providers that offer the standard
Team leader/supervisor	691
Operations/departmental manager	537
Customer service practitioner	488
Business Administrator	406
Adult care worker	321
Lead adult care worker	315
Assistant accountant	213
Customer Service Specialist	202
Hair Professional	178
Digital marketer	177

Source: IfATE<sup>222</sup>

## 8.2 While there are excellent training providers, the quality of providers is variable and a relatively high number of providers inspected in the last three years are poor

### 8.2.1 A significant number of providers who have recently been inspected need to improve

Ofsted inspects level 2–5 apprenticeships provision. It carries out short or full inspections for established providers and monitoring visits for new providers. As of 31 August 2019, Ofsted had inspected around half of the 1,400 providers that had apprenticeship provision and 83 per cent of these providers were rated “good” or “outstanding”.<sup>223</sup>

However, year-on-year data in the last five years varies substantially, and there are concerns that some more recently inspected providers are not performing very well. In total, the percentage of providers that were rated “good” or “outstanding” fell in each year since 2015/16, and in 2018/19 this rate was just 56 per cent. Table 4 sets out further details.<sup>224</sup>

<sup>222</sup> Freedom of Information Request to the Institute for Apprenticeships and Technical Education. Received November 2019.

<sup>223</sup> Ofsted, 2020, The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2018/19 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/859422/Annual\\_Report\\_of\\_Her\\_Majesty\\_s\\_Chief\\_Inspector\\_of\\_Education\\_\\_Children\\_s\\_Services\\_and\\_Skills\\_201819.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/859422/Annual_Report_of_Her_Majesty_s_Chief_Inspector_of_Education__Children_s_Services_and_Skills_201819.pdf)]

<sup>224</sup> CSJ analysis of Ofsted underlying data – Ofsted have not released in-year data for 2018–19. This had to be constructed from the available raw data.

Table 4: Outcomes of Ofsted’s in-year full inspections, England, 2014/15–2018/19

Year of Full Inspection	Outstanding	Good	Requires Improvement	Inadequate	Total Number of Full Inspections
2014/15	66.7%	20.0%	13.3%	0.0%	<b>15</b>
2015/16	6.7%	92.2%	1.1%	0.0%	<b>90</b>
2016/17	4.3%	60.3%	34.8%	0.7%	<b>141</b>
2017/18	1.8%	58.0%	38.4%	1.8%	<b>112</b>
2018/19	3%	53%	38%	6%	<b>133</b>

Source: CSJ analysis of Ofsted data<sup>225</sup>

Some of Ofsted’s inspections have exposed questionable practices. One provider, for instance, which trained 3,888 learners at the time of inspection (full inspection in February 2017), did not properly assess “learners’ vocational starting points at the beginning of their apprenticeship” and did not “provide sufficiently detailed, accurate and helpful feedback to learners,” the latter of which undermined apprentices’ chances of completing their apprenticeships on time.<sup>226</sup>

At another provider, which trained 2,566 apprentices at the time (full inspection in March 2017), apprentices’ “development of new skills [was] very limited in the majority of cases as most receive[d] little training to acquire them.” Ofsted also found that there was “too much focus on the completion of qualification units, with insufficient focus on developing apprentices’ workplace or wider skills.” And it found that the provider had taken insufficient action to develop apprentices following the results of their initial assessments.<sup>227</sup>

One provider (monitoring visit in April 2019) carried out “limited routine checks on health and safety in the workplace” and did “not carry out sufficient background checks on staff” or “sufficient checks to ensure that apprentices [were] working in an appropriate environment.” At the time of the inspection, almost 106 apprentices were being trained.<sup>228</sup>

And in another case, “trainers merely accredit[ed] existing knowledge, skills and experience as opposed to ensuring that apprentices learn[ed] new ones, contrary to the principles and requirements of an apprenticeship.” Planning for apprenticeship training was also poor, and trainers did not plan learning, or set targets that challenged apprentices, and “a significant majority of apprentices left their programme early and failed to achieve their apprenticeship.” Although its management has subsequently changed, and has started to address these problems, the damage is already done for apprentices who received the previous training.<sup>229</sup>

225 CSJ analysis of Ofsted underlying data – Ofsted have not released in-year data for 2018–19. This had to be constructed from the available raw data.

226 Ofsted, 2017, full inspection report [Accessed via: <https://files.api.ofsted.gov.uk/v1/file/2664383>], pg 6

227 Ofsted, 2017, full inspection report [Accessed via: <https://files.api.ofsted.gov.uk/v1/file/2710613>]

228 Ofsted, 2019, monitoring visit report [Accessed via: <https://files.api.ofsted.gov.uk/v1/file/50078477>]

229 Ofsted, 2019, monitoring visit report [Accessed via: <https://files.api.ofsted.gov.uk/v1/file/50082439>]

## 8.2.2 A significant portion of new market entrants make insufficient progress

### How we quality assure new market entrants

Ofsted introduced light-touch ‘monitoring visits’ for new providers in November 2017. The measures were aimed at addressing concerns about quality assurance after the rapid growth of providers that followed the levy’s introduction.<sup>230</sup> Instead of waiting the normal three years before carrying out routine inspections, Ofsted started to conduct monitoring visits two years after new market entrants had registered as providers. These monitoring visits differ from full and short inspections. They usually take place over two days, and rather than covering all aspects of inspection, they focus on three main criteria: leadership and management, quality of training/education, and safeguarding.

### A large portion of new market entrants make insufficient progress

Between 1 February 2018 and 31 March 2020, 540 new apprenticeship providers had monitoring visits. Of this number, 21.5 per cent of providers were classed as having made insufficient progress in at least one of the three areas covered.<sup>231</sup> Table 5 sets out the progress made by providers in relation to each of the three areas Ofsted scrutinises in monitoring visits.

Table 5: Monitoring visit outcomes, (prevalence of each rating) 1 February 2018–31 March 2020 (Base = 540 providers)

Outcomes from first monitoring visit	Number of providers		
	Insufficient progress	Reasonable progress	Significant progress
How much progress have leaders made in ensuring that the provider is meeting all the requirements of successful apprenticeship provision?	112 (20.7%)	379 (70.2%)	50 (9.3%)
What progress have leaders and managers made in ensuring that apprentices benefit from high-quality training that leads to positive outcomes for apprentices?	105 (19.4%)	378 (70.0%)	58 (10.7%)
How much progress have leaders and managers made in ensuring that effective safeguarding arrangements are in place?	40 (7.4%)	458 (84.8%)	43 (7.9%)

Source: Ofsted monitoring visit data<sup>232</sup>

<sup>230</sup> Ofsted, 2019, Ofsted blog: schools, early years, further education and skills [Accessed via: <https://educationinspection.blog.gov.uk/2019/01/08/chris-jones-hmi-specialist-adviser-for-apprenticeships-on-ofsteds-new-provider-monitoring-visits/>]

<sup>231</sup> CSJ analysis of Ofsted data: Ofsted, 2020, Further education and skills inspections and outcomes, as at 31 March 2020 [Accessed via: [www.gov.uk/government/publications/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019-main-findings](http://www.gov.uk/government/publications/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019-main-findings)]

<sup>232</sup> Ofsted, 2020, Further Education and skills inspections and outcomes as at 31 March 2020 [Accessed via: [www.gov.uk/government/statistics/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019](http://www.gov.uk/government/statistics/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019)], Table D2 Apprenticeship NPMVs. NB – second monitoring visits to providers who were making insufficient progress were excluded from this analysis.

Ofsted reports the results of its monitoring visits to the ESFA, which the latter in turn uses to inform ongoing funding decisions, including whether it continues to fund apprenticeship providers. As of July 2020, 45 registered apprenticeship providers were banned from offering new apprenticeships as a result of Ofsted inspections including monitoring visits that deemed their offer to be too poor.<sup>233, 234</sup>

### **New providers have been given government contracts before they received any form of inspection**

Until recently, non-levy payers who wanted to unlock government funding to support their apprenticeship training had to first identify training providers that had been awarded government contracts to train non-levy apprentices.<sup>235</sup> However, it was not necessary for training providers to have been inspected by Ofsted to be awarded such a contract.<sup>236</sup>

We wanted to understand how prevalent the practice of awarding contracts to unproven entities is. We identified all providers that had been awarded government contracts<sup>237</sup> in 2018/19 (as at July 2019), and cross-referenced these providers with Ofsted inspection data (as at June 2019).<sup>238</sup> We found that as of July 2019, the government had awarded £42 million to providers who had not received any full inspections or published monitoring visits. £13.5 million of funding was awarded to uninspected providers who trained 16–18-year-old apprentices, while £28.5 million was spent on adult apprenticeships.<sup>239</sup>

We then re-ran the exercise in November 2019. In this iteration, we found that 13 providers of the (previously) non-inspected 71 providers with government contracts had subsequently received monitoring visits.<sup>240</sup> Of these 13 providers, three were deemed to have made insufficient progress in at least one of the three areas scrutinised, and these three providers' contracts were together worth £1,525,225.<sup>241</sup>

### **8.2.3 Some small employers are dissatisfied with the quality of training provision on offer**

According to a recent survey by the Federation of Small Businesses, 30 per cent of small employers who had employed apprentices in 2018 did not believe that the training providers they were using accommodated their training needs.<sup>242</sup> According to the same

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233 ESFA, 2018, Removal from register of apprenticeship training providers and eligibility to receive public funding to deliver apprenticeships training [Accessed via: [www.gov.uk/government/publications/removal-from-register-of-apprenticeship-training-providers/removal-from-register-of-apprenticeship-training-providers-and-eligibility-to-receive-public-funding-to-deliver-apprenticeship-training](http://www.gov.uk/government/publications/removal-from-register-of-apprenticeship-training-providers/removal-from-register-of-apprenticeship-training-providers-and-eligibility-to-receive-public-funding-to-deliver-apprenticeship-training)]; confirmed by an FOI request to ESFA to clarify what "Not currently starting new apprentices" means. Received November 2019.

234 CSJ analysis of ESFA data: ESFA, 2020, Register of apprenticeship training providers [Accessed via: <https://download.apprenticeships.education.gov.uk/roatp>]

235 ESFA, Apprenticeship Performance-Management Rules for Training Providers: 2019. [Accessed on 31/07/2019 via [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/801046/Apprenticeship\\_performance-management\\_rules\\_\\_Version\\_2\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801046/Apprenticeship_performance-management_rules__Version_2_.pdf)]

236 DfE, Traineeships framework for delivery [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/410737/Framework\\_for\\_delivery\\_2015-2016.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/410737/Framework_for_delivery_2015-2016.pdf)] pg 9

237 ESFA, 2019, Education & Skills Funding Agency Allocations 2018/19

238 CSJ analysis of Ofsted data: Ofsted, 2019, [Accessed via: <https://reports.ofsted.gov.uk/provider/33/1280298>]

239 CSJ analysis of ESFA and Ofsted data

240 Eight of these providers were universities and may not fall within the scope of the analysis. This only represents just over 10 per cent of the revenue that isn't inspected, or £4.8 million.

241 CSJ analysis of ESFA and Ofsted data

242 FSB, 2019, Making the apprenticeship system work for small businesses [Accessed via: [www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-apprenticeships-report.pdf](http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-apprenticeships-report.pdf)]

survey, 35 per cent of respondents were dissatisfied with the communication they received from their providers while apprentice were training.<sup>243</sup> And 49 per cent of respondents said that that “poor quality training provision in my area” was the main barrier they experienced when trying to find training providers.

### 8.3 Our YouGov polling shows that inadequate training options undermine take-up of apprenticeships

To better understand the effect that a lack of good quality training providers had on employers’ decision-making, we commissioned YouGov to gauge the reasons why employers who currently employ apprentices had been deterred from offering apprenticeships, where this was the case. 24 per cent of these employers said they had been deterred by something, and among that group 25 per cent cited a lack of good quality training providers as one of the reasons why they had been deterred.<sup>244</sup>

## 8.4 Recommendations

### Recommendation 15

New providers should receive a monitoring visit from Ofsted within 12 months of being approved to deliver apprenticeship training.

- Ofsted introduced ‘monitoring visits’ for new providers in November 2017. The measures were aimed at addressing concerns about quality assurance after the rapid growth of providers that followed the levy’s introduction. Instead of waiting the normal 36 months before carrying out routine inspections, Ofsted started to conduct monitoring visits 24 months after new markets entrants had registered as providers. Rather than covering all aspects of inspection, they focus on three main criteria: leadership and management, quality of training/education, and safeguarding.
- A large number of new market entrants make insufficient progress. Between 1 February 2018 and 31 March 2020, 540 new apprenticeship providers had visits, 21.5 per cent of whom were classed as having made insufficient progress in at least one

<sup>243</sup> Ibid, pg 37

<sup>244</sup> YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

of the three areas covered. And As of July 2020, 45 registered apprenticeship providers had been banned from offering new apprenticeships as a result of Ofsted inspections that deemed their offer to be too poor.

- It is crucial that we maintain a high standard of training provision. 24 months is far too long to wait before monitoring visits take place for new providers, and should instead take place within 12 months of activity. This would give inspectors enough material from which to build a good impression of quality, and would allow providers to make necessary changes promptly.

### **Recommendation 16**

The government should pump prime the training provider market where there is unmet need, and should encourage the further use of digital innovations borne out of the pandemic.

- There are many excellent training providers; as of 31 August 2019, Ofsted had inspected around half of the 1,400 providers that had apprenticeship provision and 83 per cent of these providers were rated “good” or “outstanding”. However, in-year full inspection data in the last five years varies substantially, and there are concerns that some more recently inspected providers are not performing very well. In total, the percentage of providers that were rated “good” or “outstanding” fell in each year since 2015/16, and in 2018/19 this rate was just 56 per cent. We also know that in some cases, employers have very few local options when it comes to securing a training provider for a particular standard.
- IfATE should carry out a comprehensive market analysis to assess the availability and quality of training provision across the country, and should pump prime the market where there is unmet need. As part of this venture, it should set up a seed fund for promising start-ups and an investment fund to support high-quality established providers to expand.
- In response to the coronavirus pandemic, some training providers have been able to successfully migrate training online, and this has also supported the development of apprentices’ digital skills. Not all training provision is suited to online learning; however, where it is, it can play an important role in mitigating geographical barriers, which can cause problems for some employers. The department should support providers to roll-out online delivery where there is scope to do so, and where this mode of learning complements and enhances the quality of training on offer.

## chapter nine

# Some apprentices discontinue their training for avoidable reasons

### 9.1 Official non-completion rates are not publicly available, but estimates suggest that these rates are high

Although the ESFA collects data from providers on achievement rates,<sup>245</sup> there is no publicly available data on the precise number of people who drop out of their apprenticeships, or what they do once they have discontinued their training. However, we are able to gain an impression of the size of this cohort.

According to a study by the National Audit Office, in 2016/17, 32 per cent of people who had reached the end of the anticipated terms of their apprenticeships had still not completed them.<sup>246</sup> This corroborates findings from the FE learners and Apprentices survey in 2018, which returned a similar figure (33 per cent).<sup>247</sup> There are many reasons why this might happen. Some apprentices are offered non-apprenticeship employment before officially completing their apprenticeships, while others are awaiting assessment or have not yet made sufficient progress. However, as we outline below, in other cases, individuals drop out for avoidable reasons. And according to the latest available figures, the achievement rate for all apprenticeships was just 64.7 per cent in 2018/19.<sup>248</sup>

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245 On ESFA intervening in 27 per cent of providers for low achievement rates, see: [www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf](http://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf)

246 NAO, 2019, The apprenticeship programme [Accessed via: [www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf](http://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf)]

247 DfE, 2018, Learners and Apprentices Survey 2018: technical report [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/757508/Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Technical\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757508/Learners_and_Apprentices_Survey_2018_-_Technical_report.pdf)]

248 DfE, 2020, Apprenticeship standards explanatory paper [Accessed via: [www.gov.uk/government/statistics/national-achievement-rates-tables-2018-to-2019](http://www.gov.uk/government/statistics/national-achievement-rates-tables-2018-to-2019)]

## 9.2 Where training provision lacks rigour, this appears to contribute to non-continuation

Where provision is inadequate, it appears to dampen apprentices' prospects of completing their apprenticeships. According to the Learners and Apprentices Study 2018, 29 per cent of apprentices who did not complete said this was driven by problems with their apprenticeships – and within this cohort, the most commonly cited problem was that their apprenticeships were poorly run, which typically related to training element.<sup>249,250</sup> According to the same survey, 27 per cent of apprentices who did not complete said the training element of their apprenticeships was worse than expected.<sup>251</sup> And among non-completers who said that their apprenticeships were worse than expected, 55 per cent said there were problems with the training element of their apprenticeships.<sup>252,253</sup>

## 9.3 Some apprentices report that they do not receive adequate support on the job

Employers play a crucial role in developing apprentices. For 80 per cent of their apprenticeships, apprentices are expected to apply the skills and knowledge they have learned off the job in a working environment. It is, therefore, vitally important that the quality of their employment is good. However, according to the Apprentice and Learners study, 23 per cent of apprentices who did not complete their apprenticeships said that the workplace element of their apprenticeships was worse than expected, although it was unclear whether this was the main reason why they decided to discontinue in each case.<sup>254</sup>

In other instances, apprentices reported that their employers had not given them enough time to complete their course work.<sup>255</sup> In most cases, this was driven by poor communication between providers and employers. Other studies, too, raise questions about the quality of employment some apprentices are receiving; for instance, City and Guilds report that while there is considerable attention to off-the-job training, on-the-job learning has been a neglected area of focus, especially when it comes to the appropriate use of learning strategies and workplace mentors.<sup>256</sup>

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249 DfE, 2019, FE learners and apprentices study: reasons for non-completion [Accessed via: [www.gov.uk/government/publications/fe-learners-and-apprentices-study-reasons-for-non-completion](http://www.gov.uk/government/publications/fe-learners-and-apprentices-study-reasons-for-non-completion)] pg 7

250 DfE, 2018, Learners and Apprentices survey 2018 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/808273/BRANDED-Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Main\\_Report\\_-\\_14\\_May\\_2019\\_-\\_Clean.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808273/BRANDED-Learners_and_Apprentices_Survey_2018_-_Main_Report_-_14_May_2019_-_Clean.pdf)], pg 65

251 Ibid, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/757506/Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Main\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757506/Learners_and_Apprentices_Survey_2018_-_Main_Report.pdf) pg 67

252 Ibid, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/757506/Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Main\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757506/Learners_and_Apprentices_Survey_2018_-_Main_Report.pdf) pg 70

253 The base population was 314. This means that no robust sub-group analysis could be made.

254 DfE, 2018, Learners and Apprentices survey 2018 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/808273/BRANDED-Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Main\\_Report\\_-\\_14\\_May\\_2019\\_-\\_Clean.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808273/BRANDED-Learners_and_Apprentices_Survey_2018_-_Main_Report_-_14_May_2019_-_Clean.pdf)], pg 67

255 DfE, 2019, FE learners and apprentices study: reasons for non-completion [Accessed via: [www.gov.uk/government/publications/fe-learners-and-apprentices-study-reasons-for-non-completion](http://www.gov.uk/government/publications/fe-learners-and-apprentices-study-reasons-for-non-completion)], pg 15

256 City and Guilds, 2019, Making apprenticeships work: the Employers' perspective [Accessed via: [www.cityandguildsgroup.com/-/media/cgg-website/documents/making-apprenticeships-work-the-employers-perspective-city-guilds-group-isb-pdf.ashx?la=en&hash=393A1EF8BA2C3CE9F03A2B9849F7E5833BEE1B26](http://www.cityandguildsgroup.com/-/media/cgg-website/documents/making-apprenticeships-work-the-employers-perspective-city-guilds-group-isb-pdf.ashx?la=en&hash=393A1EF8BA2C3CE9F03A2B9849F7E5833BEE1B26)]

## 9.4 Some apprentices struggle with costs

The national minimum wage for all apprentices is £4.15 in their first year, regardless of age.<sup>257</sup> After their first year, apprentices must be paid at least the national minimum wage, which is £4.55 for under 18s, £6.45 for individuals aged 18-20, and £8.20 for anyone between the ages of 21 and 24.

According to one recent major survey, 12 per cent of apprentices struggled to meet the additional costs associated with learning, including the cost of learning materials, travel fees, and childcare costs. According to Apprentice Voice, 32.7 per cent of apprentices<sup>258</sup> spend more than a fifth of their monthly salary on travel costs.<sup>259</sup> Based on evidence it took as part of a recent inquiry into apprenticeships, the Education Select Committee reported that travel costs in particular “can make pursuing an apprenticeship difficult.”<sup>260</sup> And at a Policy Connect focus group on apprenticeships, travel costs were often cited as a significant challenge by individuals who were thinking about taking up an apprenticeship.<sup>261</sup>

Part of the problem is that there is no joined up approach to existing travel discounts and arrangements. There are many different schemes to choose from.<sup>262</sup> For example, the Liverpool City Region scheme includes both bus transport and rail; Transport for London operates discount cards that work on all available transport; and West Midland Combined Authority offers apprentices between 16–18 years-old 50 per cent discounts on all forms of transport. However, only some local authorities offer discretionary fares across rail and bus networks,<sup>263</sup> and most support schemes are in urban areas.<sup>264</sup> And while the Department for Transport recently introduced a 16–17 railcard for young people (which gives eligible individuals a 50 per cent discount on train journeys), this only benefits individuals who use trains; in many rural areas, apprentices must rely on buses.<sup>265</sup>

257 DfE, 2019, National Minimum wage and national living wage rates [Accessed via: [www.gov.uk/national-minimum-wage-rates](http://www.gov.uk/national-minimum-wage-rates)]

258 Base = 370

259 TES, 2019, Apprentices voice concerns about off-the-job training [Accessed via: [www.tes.com/news/apprentices-voice-concerns-about-job-training](http://www.tes.com/news/apprentices-voice-concerns-about-job-training)]

260 House of Commons Education Committee, 2018, The apprenticeships ladder of opportunity: quality not quantity [Accessed via: <https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/344/344.pdf>] pg 27

261 Policy Connect, 2017, Spotlight on... Apprenticeships and Social Mobility [Accessed via: [www.policyconnect.org.uk/sc/sites/site\\_sc/files/report/469/fieldreportdownload/aspotlightonapprenticeshipsocialmobilityweb.pdf](http://www.policyconnect.org.uk/sc/sites/site_sc/files/report/469/fieldreportdownload/aspotlightonapprenticeshipsocialmobilityweb.pdf)], pg 16

262 Such as TfL apprenticeship Oyster photo card, or Greater Manchester ticket discounts.

263 Education Select Committee, 2019, The apprenticeships ladder of opportunity: quality not quantity [Accessed via: <https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/344/344.pdf>]

264 Policy Connect, 2017, Spotlight on... Apprenticeships and Social Mobility [Accessed via: [www.policyconnect.org.uk/sc/sites/site\\_sc/files/report/469/fieldreportdownload/aspotlightonapprenticeshipsocialmobilityweb.pdf](http://www.policyconnect.org.uk/sc/sites/site_sc/files/report/469/fieldreportdownload/aspotlightonapprenticeshipsocialmobilityweb.pdf)], pg 17

265 DfT, 2019, News Story: over one million people to save hundreds, as new 16–17 Saver launches, cutting cost of rail travel for teenagers [Accessed via: [www.gov.uk/government/news/over-one-million-people-to-save-hundreds-as-new-16-17-saver-launches-cutting-cost-of-rail-travel-for-teenagers](http://www.gov.uk/government/news/over-one-million-people-to-save-hundreds-as-new-16-17-saver-launches-cutting-cost-of-rail-travel-for-teenagers)]

## 9.5 Some apprentices report that they are not receiving the correct minimum wage

According to the Apprentice Pay Survey in England in 2016, 18 per cent apprentices report that they were paid below the appropriate wage for level 2 and level 3 apprenticeships, an increase of 3 per cent since 2014.<sup>266</sup> And 18 per cent of apprentices who worked overtime did not get paid for any of their overtime hours.<sup>267</sup>

In addition, younger apprentices seem to be more likely to be underpaid. Almost 31 per cent of respondents aged 16–18 said that their wage was not compliant with the national minimum wage, a rate that fell to 24 per cent for apprentices aged 19–20, and 18 per cent for 21–24-year-old apprentices.<sup>268</sup>

There is also evidence that, while low pay may not necessarily prevent individuals from taking up apprenticeships, it does contribute to non-completion.<sup>269</sup> For instance, in 2009, the Low Pay Commission reported that low wages were linked to a high apprentice turnover. According to its report, 27 per cent of trainees who dropped out of training said that ‘not getting enough money’ was their main reason for discontinuing their apprenticeships.<sup>270</sup> Another report, which analysed the Apprentice Grant for Employers Survey in 2012, found that 17 per cent of non-completers dropped out because their wages were too low.<sup>271</sup>

## 9.6 Recommendations

### Recommendation 17

The government should introduce a concessionary scheme to help disadvantaged apprentices’ meet their transport costs.

- Travel costs can pose a significant barrier for some apprenticeships, particularly when they live in less accessible parts of the country. Although there are some localised transport subsidy schemes, and larger ones in devolved authorities, there are still many apprentices in the country who do not have access to support. The government should introduce a concessionary scheme to subsidise transport for disadvantaged apprentices.

266 Sutton Trust, 2017, Better apprenticeships: access, quality and labour market outcomes in the English apprenticeship system [Accessed via: [www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf](http://www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf)] pg 20

267 BEIS Research Paper Number 15, 2017, Apprenticeship Pay Survey 2016: England [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630082/apprenticeship-pay-survey-2016-report-england.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630082/apprenticeship-pay-survey-2016-report-england.pdf)] NB: Committing to overtime could be the choice of apprentice or a request from the employer

268 Low Pay Commission, 2009, National Minimum Wage: low pay commission report 2009 London: low pay commission [Accessed via: [www.gov.uk/government/publications/low-pay-commission-report-2009](http://www.gov.uk/government/publications/low-pay-commission-report-2009)]

269 Unison, 2018, Apprentices and the minimum wage: the case for narrowing differentials [Accessed via: [www.unison.org.uk/content/uploads/2018/06/NPI-report-Apprentices-and-the-minimum-wage.pdf](http://www.unison.org.uk/content/uploads/2018/06/NPI-report-Apprentices-and-the-minimum-wage.pdf)]

270 Low Pay Commission, 2009, National Minimum Wage: low pay commission report 2009 London: low pay commission [Accessed via: [www.gov.uk/government/publications/low-pay-commission-report-2009](http://www.gov.uk/government/publications/low-pay-commission-report-2009)], pg 23

271 Highton et al, 2012, An Assessment of the Introduction of the Apprentice Rate: Report for the Low Pay Commission London: Low Pay Commission

### Recommendation 18

The digital Apprenticeship Service should build in automated messages to inform employers about changes to apprentices' minimum wages as they progress.

- The national minimum wage for all apprentices is £4.15 in their first year, regardless of age. After their first year, apprentices must be paid at least the national minimum wage, which is £4.55 for under 18s, £6.45 for individuals aged 18–20, and £8.20 for anyone between the ages of 21 and 24.
- However, according to the Apprentice Pay Survey in England in 2016, 18 per cent of apprentices report that they were paid below the appropriate wage for level 2 and level 3 apprenticeships, an increase of 3 per cent since 2014. And 18 per cent of apprentices who worked overtime did not get paid for any of their overtime hours.
- In the government's budget statement on 11 March 2020, it committed £5 million to improve the capacity and functionality of its digital Apprenticeship Service, and enable it to "transition to an employer-led model". It should use some of these funds to integrate automatic pop ups into the digital service, which would remind employers of the minimum wage changes that accompany each apprentice as they progress through their apprenticeships.
- HMRC should also continue its current drive to investigate all complaints raised about employers who purposely circumvent the minimum wage, and should continue to impose rigorous sanctions where employers have been found to be doing this.



## chapter ten

# Access to assessments is sporadic, and only Ofqual should oversee assessment organisations

### 10.1 End point assessments were introduced as a compulsory element of the new apprenticeship standards

New standards are assessed in a different way to their predecessor frameworks. While frameworks were assessed on an ongoing basis, apprentices who undertake standards are examined at the end of their tenures, at which point end point assessment organisations (EPAOs) assess the skills, knowledge and behaviours they have learned.

A number of organisations are involved in assessments. When a trailblazer group develops a new standard, it has to produce an assessment plan. This plan sets out the competencies that should be assessed for the apprenticeship in question; what this assessment might look like; and how employers know when to put apprentices through the assessment “gateway” (the point at which they are deemed ready for assessment). Trailblazer groups usually enlist the support of an EPAO, or an external quality assurance (EQA) body such as Ofqual, during this development phase.

A trailblazer group then approaches an EPAO to secure its assessment services. (If an EPAO wishes to provide the assessment for a standard, it must be registered on the Register for End Point Assessment Organisations.) And the trailblazer group must find an EQA body to quality assure that EPAO and the standard’s assessment plan. (Several different organisations can perform the role of an EQA body, and the default body is the IfATE.) The EPAO must register with the EQA organisation in question, and must pass its quality assurance tests.<sup>272</sup>

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<sup>272</sup> Ofqual, 2019, End point assessment quality assurance report: 2018 to 2019 [Accessed via: [www.gov.uk/government/publications/end-point-assessment-quality-assurance-report-2018-to-2019](http://www.gov.uk/government/publications/end-point-assessment-quality-assurance-report-2018-to-2019)], pg 22

Each assessment varies, depending on the guidelines set out in any given assessment plan and an EPAOs interpretation of this. In many cases, apprentices must provide evidence of the learning they have undertaken, and are set practical exercises to test the skills, knowledge and behaviours that are associated with the standards they are on.

EPAOs are independent of training providers. The cost of an EPAO's services usually comprises around 20 per cent of the cost of the apprenticeship, but this is only an expectation, not an obligation.<sup>273</sup> The instruction fee is initially paid to the relevant training provider, who is contractually obliged to transfer this sum to the EPAO in question, usually once the assessment has taken place. The cost of the assessment can be negotiated between the relevant employer and EPAO.

## 10.2 Some standards have no end point assessments attached to them

According to the government's Register of End Point Assessment Organisations, 32 per cent of all standards did not have EPAOs attached to them as of July 2019. Level 2 and 3 standards seemed to be particularly susceptible: of the standards that did not have EPAOs assigned to them, more than half (53 per cent) were level 2 and 3 standards.<sup>274</sup>

In addition, between February and April 2019, apprentices started apprenticeships on 36 of the 146 standards that did not have EPAOs assigned to them. 20 per cent of these standards were level 2 apprenticeships,<sup>275</sup> which are usually shorter; in this context, employers may not have had much time to find an appropriate EPAO in time for completion. Apprentices on these standards were unlikely to know enough about the ultimate direction of their work when they started. Nowhere else in our education system do we expect any other cohort of students to study without reference to a clear notion of how they will be assessed. It is the equivalent of an A-level student starting an A-level without knowing who will assess them and how.

### **Between February and April 2019, apprentices started apprenticeships on 36 of the 146 standards that did not have EPAOs assigned to them.**

Between February and April 2019, almost 4,567 apprentices started their apprenticeships on standards that had just one EPAO to choose from.<sup>276</sup> As a number of stakeholders informed us, a shortage of EPAOs can limit options for organisations that are not geographically close to EPAO offices. And even where an EPAO is attached to a particular standard and geography is not a barrier, lack of capacity sometimes poses an obstacle – particularly in relation to popular apprenticeships like those attributed to nursing.

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273 DfE, 2019, Apprenticeship funding in England, from April 2019 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/788312/Apprenticeship\\_funding\\_in\\_England\\_from\\_April\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788312/Apprenticeship_funding_in_England_from_April_2019.pdf)], pg 12

274 CSJ analysis of DfE and IfATE data: DfE, 2019, Apprenticeships and traineeships data [Accessed via: [www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships](http://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships)]; IfATE, 2019, Register of end point assessment organisations [Accessed via: [www.gov.uk/guidance/register-of-end-point-assessment-organisations](http://www.gov.uk/guidance/register-of-end-point-assessment-organisations)]

275 Ibid

276 Ibid

## 10.3 Some EPAOs are no longer able to meet initial assessment commitments

### 10.3.1 A substantial number of EPAOs have dropped their assessment commitments

We submitted an FOI request to the ESFA to identify all changes made to the EPAO register between April 2017 and June 2019. We were then able to ascertain how many EPAOs were initially attached to particular standards in April 2017, and the extent to which these positions changed by June 2019. During this time, there were 61 instances in which EPAOs were initially attached to standards in April 2017, but were then subsequently absent from those standards in June 2019. According to the CSJ's interpretation of the data in the EPAO register, there were two main reasons why this occurred:

- EPAOs no longer offered any assessments at all (13 of the 61 cases we identified); or
- EPAOs started offering assessments in relation to these standards, but subsequently ceased doing so (48 of the 61 cases we identified).

Employers have commented on the fragile nature of some EPAOs' pledges to deliver end point assessments for new standards. One employer, for instance, reported that there have been instances "where we have nearly finished an apprenticeship and the end-point assessment organisation has decided not to deliver that anymore, despite having a contract."<sup>277</sup>

**There were 61 instances in which EPAOs were initially attached to standards in April 2017 but were subsequently absent from those standards in June 2019.**

To try to stem the EPAO drop-out rate, the IfATE made it clear in its Quality Strategy that employers should seek to secure the services of an EPAO before starting an apprenticeship. In addition, the ESFA introduced an "in principle commitment" in October 2019, which means it will not fund a standard that does not have a firm pledge from an EPAO to carry out end point assessments for a standard.<sup>278</sup> We welcome this reform; however, some of the stakeholders we consulted remained concerned that the "in principle" commitment may be too loose, and that some apprentices started before this rule came into effect, without EPAOs secured for their apprenticeships.

### 10.3.2 Some EPAOs may be dropping out because of low apprentice numbers; in some cases, this might be tempered by developing more robust assessment plans

There is evidence that some EPAOs avoid meeting their initial commitments because some apprenticeship standards draw a lower number of apprentices than initially anticipated, which in turn places considerable cost pressure on some providers.<sup>279</sup> In some cases, these pressures may have been avoided by better planning at a standard's development stage.

<sup>277</sup> Public Accounts Committee Oral evidence on apprenticeships Q50

<sup>278</sup> ESFA, 2019, Apprenticeship end-point assessments: change to starts policy for new standards being approved [Accessed via: [www.gov.uk/government/publications/end-point-assessment-quality-assurance-report-2018-to-2019](http://www.gov.uk/government/publications/end-point-assessment-quality-assurance-report-2018-to-2019)]

<sup>279</sup> NFER, 2018, Apprenticeship End Point Assessment – teething problems or looming car crash? [Accessed via: [www.nfer.ac.uk/news-events/nfer-blogs/apprenticeship-end-point-assessment-teething-problems-or-looming-car-crash/](http://www.nfer.ac.uk/news-events/nfer-blogs/apprenticeship-end-point-assessment-teething-problems-or-looming-car-crash/)]

As Ofqual has reported, some assessment plans “currently in use would benefit from strengthening.”<sup>280</sup> For instance, in the case of one standard,<sup>281</sup> there was no analysis of the percentage of the total cost of training that would be financially viable for EPAOs; projected demand was 150 starts per year but in 2018/19, there were no starts on this apprenticeship. In other cases, planners may have considered affordability but underestimated the cost of assessment; for instance, the assessment plan associated with the Composites Technician<sup>282</sup> standard (approved February 2017) mentioned affordability of assessment and yet still had no end point assessor in place at the time of writing. And in some cases, EPAOs have not been consulted at the development stage,<sup>283</sup> even though the ESFA has said that individuals who design these plans are expected to have “expertise and capacity to design, develop and deliver the EPA methods.”<sup>284</sup>

## 10.4 Inability to access EPAOs is likely to have a depressing effect on apprenticeship starts

To better understand the effect that inability to access EPAOs had on employers’ decision-making, we commissioned YouGov to gauge the reasons why employers who currently employ apprentices had been deterred from offering apprenticeships, where this was the case. 24 per cent of these employers said they had been deterred by something, and among that group 19 per cent cited inability to access EPAOs as one of the reasons why they had been deterred.<sup>285</sup>

## 10.5 EPAOs are not regulated in a consistent manner

Several different organisations can be involved in the external quality assurance (EQA) of EPAOs. Employers can choose from the Office of Qualifications and Examinations Regulation (Ofqual), IfATE, employer organisations, or professional bodies.<sup>286</sup>

All of these entities have their own standards when it comes to regulating EPAOs. For instance, Ofqual says that EPAOs should comply with Ofqual’s General Conditions of Recognition. This is not standardised across all EQAs, and the IfATE becomes the default EQA organisation where employers are not able to secure an EQA body for their

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280 Ofqual, 2019, External Quality Assurance of Apprenticeship End Point Assessments, 2018–2019 [Accessed via: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/831929/EQA\\_Report\\_to\\_IfATE\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831929/EQA_Report_to_IfATE_2019.pdf)], pg 6

281 Asbestos assessor/surveyor (approved June 2018)

282 CSJ analysis of DfE data received through a freedom of information request (November 2019).

283 City and Guilds, 2019, Making Apprenticeships work: reflections on practice [Accessed via: [www.cityandguilds.com/what-we-offer/employers/optimising-your-levy/completion](http://www.cityandguilds.com/what-we-offer/employers/optimising-your-levy/completion)] pg 25

284 ESFA, 2019, how apprentices in England are assessed [Accessed via: [www.gov.uk/guidance/how-apprentices-in-england-are-assessed#certification](http://www.gov.uk/guidance/how-apprentices-in-england-are-assessed#certification)]

285 YouGov, 2019, B2B Omnibus Survey, conducted between 7–16 October 2019. Total sample size was 1,768 senior decision makers in England. Fieldwork was undertaken between 7–16 October 2019. The survey was carried out online. The figures have been weighted and are representative of British business size.

286 IfATE, 2019, External Quality Assurance Guidance [Accessed via: [www.instituteforapprenticeships.org/quality/guidance-on-external-quality-assurance/](http://www.instituteforapprenticeships.org/quality/guidance-on-external-quality-assurance/)]

standard.<sup>287</sup> And while some external quality assurance bodies charge (for instance, IfATE) others do not (for example, Ofqual). In total, there were 20 confirmed EQA providers at the time of writing, with 15 others to be confirmed for individual standards.<sup>288</sup>

The convoluted nature of our approach to regulating EPAOs is further exacerbated by the fact that the IfATE:

- a. quality assures some EPAOs and assessment plans in its own right (as of July 2020, 50.2 per cent of all standard assessments are quality assured by IfATE, in relation to 286 approved standards); and
- b. is also responsible for overseeing overall EQA, with the aim of aligning EQA providers' respective approaches.

## 10.5 Recommendations

### Recommendation 19

The government should take a firmer stance when EPAOs renege on assessment commitments, and EPAOs should be involved more prominently when assessment plans are being formed.

- A concerning large number of apprentices start on standards that do not have EPAOs assigned to them, including at lower levels where apprenticeships tend to be shorter. In addition, an unacceptably large number of EPAOs drop their initial assessment commitments, having initially pledged to assess apprentices on a given standard.
- Nowhere else in our education system do we expect people to study without reference to a clear notion of how they will be assessed. It is the equivalent of an A-level student starting an A-level without knowing who will assess them and how.
- The government should take a firmer stance on non-delivery. EPAOs that commit to assessing standards should be expected to deliver on those pledges, unless there is a very compelling business case for not being able to do so.
- Some EPAOs may avoid meeting their initial commitments because some apprenticeship standards draw a lower number of apprentices than initially anticipated. In some cases, these pressures may have been avoided by better planning at a standard's development stage; as Ofqual has reported, some assessment plans "currently in use would benefit from strengthening." EPAOs should be consulted as a matter of course when devising assessment plans. Standards should have EPAOs assigned to them when signed off, together with clear expectations about the nature of assessment.

<sup>287</sup> Ofqual, 2019, External quality assurance of end-point assessments: status [Accessed via: [www.gov.uk/government/publications/external-quality-assurance-of-end-point-assessments-status](http://www.gov.uk/government/publications/external-quality-assurance-of-end-point-assessments-status)]

<sup>288</sup> CSJ analysis of IfATE data: IfATE, 2019, Search apprenticeship standards [Accessed via: [www.instituteforapprenticeships.org/apprenticeship-standards/?includeApprovedForDelivery=true](http://www.instituteforapprenticeships.org/apprenticeship-standards/?includeApprovedForDelivery=true)] NB: as of 19 July 2020.

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**Recommendation 20**

Ofqual should be the sole quality assuring body for end point assessment organisations.

- Several different external quality assurance (EQA) bodies are involved in the regulation of end point assessment organisations (EPAOs). There were 20 confirmed and 15 unconfirmed EQA organisations at the time of writing, all of which regulate EPAOs in different ways.
- This fragmented system of oversight is littered with inconsistency, and should be reformed. The government should appoint Ofqual as the sole quality assuring body for all EPAOs.



The Centre for Social Justice  
Kings Buildings,  
16 Smith Square,  
Westminster, SW1P 3HQ

[www.centreforsocialjustice.org.uk](http://www.centreforsocialjustice.org.uk)  
@csjthinktank