

**The Benefits of Hindsight:
Assessing the impact of apprenticeship reforms on
employer behaviour: Executive Summary**

**Prepared for
Edge Foundation
and
Gatsby Foundation
By**

Peter Dickinson and Terence Hogarth

September 2021



Contact details:

Peter Dickinson
Warwick Institute for Employment Research
University of Warwick
Coventry CV4 7AL
T: 024 7652 4420
E: p.dickinson@warwick.ac.uk
<https://warwick.ac.uk/fac/soc/ier>

Executive Summary

Introduction

IER was commissioned by the Edge Foundation and the Gatsby Foundation to undertake research into the impact of the Spring 2017 apprenticeship reforms on employer's decision making related to taking on apprentices. The aim was to explore why employers substantially reduced their apprenticeship provision after the introduction of these reforms.

The 2017 reforms included: the introduction of an apprenticeship levy; the introduction of End Point Assessment; the stipulation of 20% off-the-job training for all apprenticeships; and the creation of a Register of Apprenticeship Training Providers.

There were two elements to the research. An analysis of officially published apprenticeship data, including the Employer Skills Survey 2019, and the Apprenticeship Evaluation Employer Survey 2018/19. And in-depth case study interviews with 23 employers, both levy and non-levy payers.

Apprenticeship data show that there has been a large expansion in apprentice numbers over the past 20 years and a change in their composition. Apprentices are increasingly aged over 25, working towards higher level standards, and more likely to be existing employees of the organisation which placed them on the apprenticeship. Additionally apprenticeships are increasingly becoming the preserve of larger organisations.

The impact of apprenticeship reforms

Following the introduction of the reforms there was a significant fall in the number of apprenticeship starts. There was also an acceleration of pre-existing trends towards older and higher level apprentices. Whilst numbers began to recover from the low 2017 base, apprenticeship recruitment was hit further by the pandemic. A rough and ready estimate suggests that apprenticeship starts fell by around 14% as a result of COVID 19.

Post-reforms, it was very much business as usual for most levy and non-levy payers. Non-levy payers said the reforms passed them by, although some were concerned by the 10% they paid towards the cost of training. Most levy payers were very positive about the reforms as it gave them a dedicated apprenticeship funding pot, some planned extensively for the levy's introduction.

Once the reforms had bedded in levy payers tended to expand the number, level and standards of apprenticeships primarily to spend the levy whilst non-levy payers carried on as before. Many levy payers expanded into higher level apprenticeships, mainly to replace or complement graduate and other existing higher level training.

In some low cost standards, the need to backfill apprentices whilst they were training added considerable costs. This limited the numbers they recruited and, in one case, led to them abandoning apprenticeships.

The main reason why there was so little change in non-levy payers' recruitment was because they need apprentices to meet their workforce requirements, and have years of positive experience of training apprentices to draw on.

Most apprenticeship recruitment was unaffected by the pandemic as recruitment decisions for 2020 had already been made. In the medium term, there are likely to be knock-on effects as

employers wait for apprentices to complete before taking on new ones. Overall, employers were optimistic about recruitment levels returning to normal in 12-18 months.

Conclusions

Apprenticeships remain an important means through which employers meet their skill needs. But the levy has had an impact on employer behaviour in relation to apprenticeship recruitment and the type, age and level of the apprentice they take on.

Some of these impacts may have been transitional as the new system bedded in. But there are more structural impacts, some reinforcing pre-existing trends:

- a reduction in apprenticeship recruitment by non-levy payers;
- an increased preference for people working towards higher level apprenticeships;
- specific barriers in particular sectors, such as, backfilling costs;
- a continuation, and potentially an acceleration, of trends in the profile of apprentices which pre-dated the reforms.

Most non-levy payers managed to accommodate the 2017 reforms as they had little or no effect on them. However, there is evidence that the requirement to contribute to the costs of apprenticeship training does pose a problem and a disincentive to train apprentices. Post-reforms, the number of non-levy payers taking on apprentices has substantially dropped-off. It is not clear why this should be the case, other than an accumulation of small but additional costs and changes such as: the additional contribution to the cost of training; the 20% off-the-job training requirement; and changes in, and availability of, certain standards.

Levy payers have been equally affected by some of these changes but they have the incentive of spending their levy pot.

The evidence points to an increased preference for employers, especially levy payers, to make use of higher level apprenticeships, in some cases by transferring existing training. This may be due to higher level apprenticeships being the direction of travel within their sectors i.e. an increased demand for people with higher level skills. But for many it was to maximise their levy spend. By and large higher level apprenticeships are relatively costly ones to both employers and the Government which may drain the levy pot. This may be less of an issue for employers underspending their levy but might be for non-levy payers dependent on fixed or diminishing Government apprenticeship funding.

The reforms have increased levy paying employers' financial investment in apprenticeships, and stimulated their preference to use it to train existing staff at higher levels, sometimes through converting existing provision to apprenticeships. This may generate higher level skills benefitting the employer, the apprentice and in aggregate the economy. However, the cost might be a lower number of apprentices, fewer trained by smaller employers, as well as less younger and lower level apprentices.

If the levy has indeed skewed provision to larger employers, and for higher levels for older and existing workers, this begs questions about the resources available to train younger people at Levels 2 and 3, and by smaller firms. If the available funding for apprenticeships becomes increasingly spent on higher level training by large employers, there is a need to think about how the training needs of young people at lower levels, and those in smaller firms, can be met.