Stability, transparency, flexibility and employer ownership

Employer recommendations for improving the apprenticeship system

Trends, benchmarks and insights
Acknowledgements
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Recommendation #1.
Ensure stability in the apprenticeship system

Recommendation #2.
The levy should not be a payroll tax

Recommendation #3.
Double the levy ‘expiry date’

Recommendation #4.
Increase levy flexibility

Recommendation #5.
Join-up the apprenticeship systems in different UK nations

Recommendation #6.
Support higher and degree level apprenticeships

Recommendation #7.
Review the way apprenticeship standards are created and developed

Recommendation #8.
Increase flexibility in off the job training

Recommendation #9.
Celebrate how apprenticeships can transform careers for everyone

Recommendation #10.
Promote apprenticeships across the education system
Foreword

Only a couple of years on from coming into force, the apprenticeship levy has changed the way the majority of large organisations recruit and train their early talent. Employers want the new apprenticeship system to work. They are committed to their apprentices and are keen to evolve their programmes.

But as this report highlights, employers have concerns about many aspects of the apprenticeship levy and its associated mechanisms.

Yes, the levy system needs to evolve and adapt as it becomes better understood by employers and policy makers, but employers need a degree of stability. Government challenged employers to reshape their early talent programmes and invest for the long-term. Employers have been relying on this and have been investing heavily to implement the new apprenticeship system.

Employers have been told that the levy is employer-led and so they expect to be consulted before any significant changes to funding arrangements or qualification frameworks are made. Making such changes without engaging with employers risks sabotaging programmes that are now delivering to a high standard.

This country needs vocational training routes that are aspirational and employer focused and which promote life-long learning. This report and its recommendations will help steer the debate on the levy’s development and how it can deliver the right outcomes for employers, learners and the UK economy.
Foreword
Executive summary
This paper sets out how employers would like to see the apprenticeship system and the apprenticeship levy evolve. It amplifies the voices of employers and is based on extensive research with members of the Institute of Student Employers (ISE), an employer association focused on bringing entry-level talent into the labour market.

We decided to publish this paper because our members are enthusiastic about the apprenticeship system. They have been implementing apprenticeships in their businesses and are supportive of the broad aims of the current reforms. They have invested heavily in apprenticeships and worked, in good faith, with the government’s current policy. However, there are areas where the current system could be improved.

Despite our concerns about the apprenticeship system we would see ourselves as critical friends. We would like to see the system improve through gradual evolution and we are very concerned about the range of voices that are calling for radical changes to the system or for its destruction and replacement by something new. One of our main messages is that business needs stability.

Our call for stability does not mean that we think that the current apprenticeship system is perfect. The employer membership of the ISE has highlighted a wide range of challenges and issues with the system. It has also identified a range of solutions that could quickly enhance things.

**On apprenticeships**

Apprenticeships are jobs with high quality training. In England the nature of an apprenticeship has been clearly specified. This definition has moved on a long way from old stereotypes of apprenticeships as only useful for manual trades and only relevant for young people. It is now used for entry-level staff, career changers and for the development of existing staff.

Apprenticeships have a long history in England. However, it is a history of frequent changes of policy direction. Since 2015 the government has been in the process of implementing a new apprenticeship system. A key component of this was the introduction of the apprenticeship levy from 2017. So far, these reforms have not driven a major increase in apprenticeship numbers,
nor in the adoption of large numbers of high-skill apprenticeships. Despite this disappointing general pattern, ISE members have been far more engaged than typical employers and have been seriously focused on implementing the new reforms within their businesses.

Implementing apprenticeships
The real work around apprenticeships happens in businesses across the country. The paper presents a series of case studies, which show that this process of implementation is not straightforward and requires employers to invest heavily and manage a lot of complexity. The case studies also show that apprenticeship programmes cannot be implemented overnight and demonstrate the journeys that many of the employers have been on to make apprenticeships work in their businesses.

Challenges in the apprenticeship system
There is a range of issues in the way that the apprenticeships system works. ISE members described several challenges which they felt were preventing the system working as well as it could. These related to funding, bureaucracy, delivery and perception.

What needs to happen next?
The government is committed to the development of an apprenticeship system which puts employers ‘in the driving seat’. We endorse this aspiration and agree that employers are best placed to understand the skills needs in the economy and drive productivity. However, employers report that the current system does not achieve this and call for more stability, transparency, flexibility and employer ownership to realise its potential.

We make 10 recommendations to government to develop the apprenticeship system.

1. Ensure stability in the apprenticeship system.
   Any changes to the system should be limited, gradual and done with careful employer consultation.

2. The levy should not be a payroll tax.
   Government should reaffirm the principle of ‘you get out more than you put in’, increase transparency in how the apprenticeship levy pot is managed and where the money comes from and recognise the fact that larger employers cannot be expected to pay for the whole system.

3. Double the levy ‘expiry date’. The ‘expiry date’ on apprenticeship funds should be doubled to 48 months while the system becomes better established.

4. Increase levy flexibility. Government should convene a working group of employers to review the flexibility of the funding arrangements and make recommendations which will increase employer engagement with the system. A key consideration should be whether the range of costs that can be supported with the levy should be increased.

5. Join-up the apprenticeship systems in different UK nations. Governments across the four nations should convene a working group comprising civil servants and employer representatives to explore ways of creating a more joined up national system.

6. Support higher and degree level apprenticeships. Government should reaffirm its commitment to higher and degree level apprenticeships and resist short-sighted calls to restrict access to these apprenticeships on the basis of prior qualifications.

7. Review the way apprenticeship standards are created and developed. The Institute for Apprenticeships and Technical Education should review the process of standard creation and development and seek to make it shorter, sharper and more flexible. The trailblazer groups should be provided with sufficient administrative support and pedagogic expertise to ensure high quality standards are produced and to prevent them from being a massive drain on employers’ resources. There is also a need to consider how the process of revising and developing apprenticeship standards should be organised to ensure that they are responsive to change.

8. Increase the flexibility in off the job training. Government should convene a working group to look at the way in which the 20% off the job requirements are managed. This group should include employers, apprenticeship providers, the Institute for Apprenticeships and Technical Education and Ofsted. The group should rapidly produce restated guidance on the 20% that emphasises flexibility and the need to recognise businesses’ operational needs. It should then consider whether there is a strong enough case to reduce the 20% or substantially reform it in another way.
9. **Celebrate how apprenticeships can transform careers for everyone.** Government should ensure that the campaigns, rhetoric and imagery around apprenticeships reflect the way that current apprenticeships are organised. While there is important work to do to engage young people in apprenticeships, it is vital that they are understood as being applicable to a wider and more diverse group of workers that is representative of the population at large.

10. **Promote apprenticeships across the education system.** Government should continue to invest in high quality career education and guidance in schools and ensure that schools and colleges promote vocational routes alongside the academic route.
Introduction

Apprenticeships are an important, and much neglected, part of the education and training system. In a period when concerns about the changing nature of work and about the disconnection between education and employment are to the fore, apprenticeships are critical.

Apprenticeships are a partnership between employers and the education and training system. Because they are tied so closely to jobs they are highly responsive to labour market need. They offer a way to ensure that the country invests in the development of the skills that it needs.

In 2017 the Institute of Student Employers enthusiastically embraced the reforms that were going on in the English apprenticeship system and moved away from our historic focus on graduates. Apprenticeships now make up an important part of the recruitment of entry-level talent. Where they work best, apprenticeships and university degrees work hand in hand, offering employers and young people a wide range of opportunities. However, despite lots of good intentions, the promise of the current period of reform in apprenticeships has not been fully realised.

Recent debates on apprenticeships

We decided to publish this paper because our members are enthusiastic about the apprenticeship system. They have been implementing apprenticeships in their businesses and are supportive of the broad aims of the current reforms. In the first year of the apprenticeship levy English employers paid £2.2 billion to the government through the levy.¹ In that year they were able to spend £200 million of this and start almost 500,000 new apprentices. While these figures show how far away we are from fulfilling the full ambition of the new policy, they also show the high levels of investment

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<tr>
<th>Apprenticeships are good for</th>
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<td><strong>The economy.</strong> They ensure the development and flow of skills to where they are needed and enhance productivity.</td>
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<tr>
<td><strong>Employers.</strong> They provide employers with easy access to skills, loyal and committed staff and the ability to shape the training and development of their workforce.</td>
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<tr>
<td><strong>Young people.</strong> They provide a progression route into meaningful training and good quality employment.</td>
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¹ Figures from the Institute of Student Employers’ "2017 The Apprenticeship Levy: a year in progress" report.
Apprenticeships have become central to the way that the members of the Institute of Student Employers recruit and develop the talent for their businesses. However, we have become increasingly concerned about the current debate around the future of apprenticeships. To address this we have published this paper to highlight what we believe the way ahead should look like for the apprenticeship system.

that have already gone into this and the number of people involved in the current system. Every business that pays the levy has invested in this new policy and as the case studies we present in chapter 5 show, this investment has continued to increase over recent years.

Although businesses have been investing in apprenticeships and working to implement the current policy, there are a lot of issues with the current system and areas where it could be improved. Nonetheless, the ISE and its members are critical friends of the current policy and believe that it is best that it evolves gradually. We are very concerned about the range of voices that are calling for radical changes to the system or for its destruction and replacement by something new. One of our main messages is that business needs stability.

We are concerned that some of the louder voices in the current debate are arguing for a race to the bottom. Legitimate concerns about the amount of funding that the government is making available for apprenticeships are driving an urgency around rationing and prioritisation that is counter-productive to the ultimate aims of the system. The recently published ‘Augur Review’ contains a number of sensible proposals with which we agree, but is unduly negative about the future of level six and seven apprenticeships. We hope the government will consider these issues carefully and consult with employers before it moves to implement Augur.

Concerns about the level of funding in the apprenticeship system need to be seen (1) in the light of the massive recent injection of funding into the apprenticeship system by employers through the apprenticeship levy; and (2) in the context of the entire education and skills budget, of which apprenticeships are a small proportion.

Institute of Student Employers

The Institute of Student Employers (ISE) is an employer association that focuses on the entry point to the labour market. Our membership includes around 300 of the UK’s largest employers and represents a wealth of experience around how to effectively recruit, develop and progress entry-level talent.

Around three-quarters of our members are now involved in recruiting and developing apprentices with this proportion rising rapidly. As you will see in this paper, our members are strongly committed to apprenticeships and have invested heavily over the last few years. This group of employers have been working enthusiastically with the system and so government should pay attention to what they have to say about how it is to develop in the future.

About this paper

This paper sets out the position of the ISE in current debates on the future of the apprenticeship system. It draws on quantitative and qualitative research that we have conducted with our members since the introduction of the apprenticeship system.

Chapters 2-4 introduce the current apprenticeship system and show how we got to where we are. Chapter 5 provides some detailed case studies of how the apprenticeship system has been implemented by a range of ISE members. Chapter 6 discusses some of the key challenges identified by our members with the current system and then Chapter 7 suggests ways in which the system could be evolved. All case studies are named; however, quotes presented in this report are presented anonymously to allow employers to say what they really think about the system. All quotes are from ISE members and have been gathered through our surveys and through a series of interviews conducted for this report.

What is an apprenticeship?

Apprenticeships are jobs with high quality training. In England the nature of an apprenticeship has been clearly specified. This definition has moved on a long way from the public image of what an apprenticeship includes. It is now used for entry-level staff, career changers and for the development of existing staff.

An apprenticeship is a paid job that combines employment and training in a particular occupation. In the current system in England apprenticeships have to:

- be pursued as part of a paid job. This needs to be paid at, or above, the minimum apprentice rate;
- provide training that lasts for at least 12 months;
- allow apprentices to develop substantive new skills; and
- offer apprentices at least 20% of their time in off the job training.

While many people have a longstanding image of an apprentice as a young person working in a skilled manual trade, this image no longer fits with the reality of apprenticeships in England. Our members describe using apprenticeships to train people in a wide range of different occupations including software development, retail, accountancy and engineering. What is more, apprentices can be of any age and may either be a new recruit or an existing employee.

Lots of the employers that we talked to emphasised the importance of updating the understanding that the general public and politicians have of apprentices.

Apprenticeship glossary

The apprenticeship world is full of new acronyms and jargon. This glossary should help you to understand what is being discussed.

**End-point assessment.** A holistic assessment at the end of the apprenticeship to test that the apprentice is fully occupationally competent in their role.

**Level.** Describes the relative complexity of the knowledge and skills required to complete the apprenticeship. Levels are usually described in terms of numbers ranging from level two (equivalent to a GCSE) to level seven (equivalent to a masters degree).

**Levy.** The money paid to the government by employers to support apprenticeships. They can then claim back this money to pay for the training and assessment of apprentices.

**Prevent.** The government’s agenda to address radicalisation and terrorism.

**Skills coaches.** Educators who work one-to-one with apprentices to ensure that they can apply their learning in the workplace.

**Standards.** The formal regulations that exist which explain how an apprenticeship in a particular occupation should be delivered.

**Providers (training providers).** The organisations that deliver apprenticeship training. These include universities, further education colleges, independent training providers and employer providers (where employers deliver their own training).

**Trailblazers.** Groups of employers who come together to develop new apprenticeships.
... Apprenticeships have a long history in England. However, it is a history of frequent changes of policy, direction and system.

The OECD argue that ‘few countries can match the energy and range of reforms currently being pursued in England.’ But, in fact apprenticeships go back a long way in England. The timeline on these pages will help you to navigate some of the history of the field.

1563
Elizabethan Statute of Artificers set the first national rules for apprenticeships.

1814
Repeal of the Statute of Artificers amid concerns that apprenticeship is waning in popularity.

1968
The Royal Commission on Trade Unions and Employers’ Associations raises concerns about the quality of apprenticeships and their fitness for purpose.

1960s
Apprenticeship numbers are at their peak.

1983
Government funding for apprenticeships begins.

1993
Launch of the Modern Apprenticeship programme to address the decline of apprenticeships.

2001
Existing apprenticeships were split into level 2 and level 3.

2004
The rebranding of the ‘Modern apprenticeships’.

3
Apprenticeship policy in England has suffered from an excess of policy innovation. The system has been repeatedly reorganised and rebranded as different governments have come and gone. Even though there is widespread agreement that apprenticeships are a good thing, there has been ongoing concern about their decline, utility and quality.

We believe that the instability of the apprenticeship system has been one of its weaknesses and has often served to undermine the system and increase businesses’ wariness about getting involved. It is important that this changes and that we move to greater stability in the system.


Since 2015 the government has been in the process of implementing a new apprenticeship system. The key component of this has been the introduction of the new apprenticeship levy from 2017. However, so far, these reforms have not driven a major increase in apprenticeship numbers, nor in the adoption of large numbers of high skill apprenticeships. While this is the general pattern, ISE members have been far more engaged and have been seriously implementing the new reforms within their businesses.
In 2015 George Osborne launched the government’s new apprenticeship policy.

“Britain’s apprenticeship levy will raise £3bn a year. It will fund 3 million apprenticeships. With those paying it able to get out more than they put in.”

At the heart of this new system was the introduction of the levy. The apprenticeship reforms built on the Richard Review, replacing the existing frameworks for apprenticeships with a new set of employer-led standards. Employers were to be put at the heart of the new system, including being asked to design the new qualifications.

The move from frameworks to standards has been a good move. It has increased the professionalism and occupational relevance of apprenticeships.

The standards are better than frameworks. The system is stronger, more robust and much better than before. Apprentices now get much deeper learning which is more relevant to the sector and the workplace.

The introduction of the levy

The most radical shift in the new apprenticeship system was the introduction of a new approach to funding the system in the form of the levy. Employers with a wage bill of over £3 million now had to pay 0.5% of their pay bill as an apprenticeship levy. This means that around 50,000 of the biggest employers in England are now paying towards the apprenticeship system.

Cynics argued that the apprenticeship levy was simply a way for George Osborne to transfer the cost of education from government to employers during a period when he was seeking to cut public spending. However, the logic of the new system meant that employers were surprisingly willing to go along with the introduction of the new levy. The idea was that this was not a payroll tax, rather it was a system designed to incentivise employer investment in skills and prevent the problem of freeloading from employers who chose not to invest in training and development and then poached other people’s staff.

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Employer investment in training had been declining over a number of years, with many arguing that this played a role in the UK’s poor productivity.\textsuperscript{11} The new levy promised to kickstart employer investment in skills. As Osborne promised, good employers had nothing to fear. If they enthusiastically embraced the system, they would get more out than they paid in.

Understandably the system had a lot of detailed regulations to ensure that levy money was being spent on the right things. The apprenticeship levy can only be used to pay for apprenticeship training and end-point assessments. Smaller employers do not pay the levy, but are still able to access apprenticeships through a mixture of government and levy funding from larger employers transferred down the supply chain. Nonetheless, the principle remained clear: employers would pay more, but they would also have greater control over the system and be able to ensure that it met their business needs.

The introduction of the levy resulted in the injection of a huge amount of new (non-governmental) funding into the apprenticeship system. The system was never intended to be a way for government to abandon the funding of the skills system altogether. However, as employers have found it difficult to spend their full levy funds and as any money unspent after two years is forfeit, it has resulted in a substantial revenue stream for the Treasury. We will come back to the issue of the levy and unspent funds in chapters 6 and 7 of this report.

In general, our members are positive about the changes that have been made since 2015. They feel that the quality of the system has improved and that the levy has incentivised them to engage more seriously with the apprenticeship system. Despite this overall support they are also keen to highlight a range of problems and issues with the system which they often view as being too controlling, bureaucratic and inflexible. However, the general position is that the system needs to be refined and strengthened rather than radically reformed.

When the government introduced the target of three million apprenticeships by 2020 it was widely seen as being an ambitious statement of intent. Apprenticeships needed to move into the mainstream. They should be viewed as a central part of the English education system capable of providing young people with opportunities that were as good as or better than those offered by universities. There was even talk about whether university numbers would fall in response to this new pathway.

The proportion of their apprenticeship levy that the average employer is spending.

14% The proportion of their apprenticeship levy that the average employer is spending.

The current system has improved apprenticeships, but there are too many pinch points.

The philosophy of the current system is right, but it is too bureaucratic and expensive for employers to participate in. Our firm is committed to making the system work, but others will find it more difficult.

It is good that England is putting greater emphasis on qualifications that don’t involve a degree. We need to ensure that we continue to offer a range of levels of apprenticeship.

The underwhelming growth in apprenticeship numbers

In fact, the growth of apprenticeships has been less spectacular. The government looks set to miss its target of three million apprentices by 2020 and there is not much evidence of serious growth. As figure 3 shows, the number of apprenticeship starts has stayed fairly stable since 2010, with most of the growth that has happened being accounted for by older apprentices. Furthermore, the introduction of the levy has not served to stimulate the number of starts and has, if anything, led to a fall in starts as employers have been figuring out how to manage the new system. This has been reflected in employers’ ability to spend the apprenticeship levy. On average employers are currently spending around 14% of their apprenticeship levy.\textsuperscript{12}

An associated area of concern is the number of apprenticeships that are being pursued at different levels. One of the key aims of the policymakers who introduced the levy was an attempt to drive up the skill level of the English workforce. Figure 4 shows how apprenticeship starts are divided by level and clearly shows how apprenticeship numbers are dominated by the lower levels.

Recent research published by the Sutton Trust calls for both more high-level apprenticeships and a stronger progression ladder between these apprenticeships.15 Young people need to view apprenticeship as a route by which they can progress to the top of their profession. The existence of apprenticeships from level two to level seven provides a ready-made ladder which employers can use to do just this (providing appropriate standards are available).

While a lot of this is bad news for the government’s plans it is perhaps not that surprising. The introduction of a new apprenticeship system was always going to be challenging. As we have seen, England has a somewhat chequered history of engagement with apprenticeships. For employers to respond quickly and to implement the new system, they would have to trust the system, believe that it offered their businesses real benefits, and have the know-how to put it into practice.

ISE members offer an interesting case study of a group of employers who have engaged enthusiastically with apprenticeships. ISE employers are typically spending around 33% of their apprenticeship level (more than double the national average). They are also highly engaged with a wider range of apprenticeship levels as figure 5 shows.

Figure 5
The proportion of ISE members engaged with each level of apprenticeship (Based on responses from 101 employers) ¹⁷

<table>
<thead>
<tr>
<th>Level of Apprenticeship</th>
<th>Percentage Engaged</th>
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<tr>
<td>Intermediate (Level 2)</td>
<td>47%</td>
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<tr>
<td>Advanced (Level 3)</td>
<td>82%</td>
</tr>
<tr>
<td>Higher (Level 4)</td>
<td>75%</td>
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<tr>
<td>Higher (Level 5)</td>
<td>38%</td>
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<tr>
<td>Degree (Level 6)</td>
<td>59%</td>
</tr>
<tr>
<td>Masters (Level 7)</td>
<td>33%</td>
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This profile of highly engaged employers makes it interesting to look at ISE employers in more depth. The members of the ISE are typically larger employers with a strong track record in recruiting entry-level talent. One of the consequences of this is that they are well positioned to provide insights about what it looks like when employers implement the apprenticeship reforms.

Implementing the apprenticeship system
In this chapter we explore what the apprenticeship system looks like from the perspectives of the firms that are actually implementing it. As we argued in the previous chapter, ISE employers have engaged seriously and substantially with the new reforms and have implemented them in their businesses. This chapter provides a series of case studies of what this looks like on the ground.

We have chosen a range of different kinds of organisation for these case studies. Some are very large, others small, some have travelled a long way in implementing the apprenticeship reforms, others are still early on in their journey, some are strongly committed to using apprenticeships to drive high level skills (at level six and seven), while others are more focused on the lower levels of apprenticeship.

The case studies speak for themselves, but there are a number of patterns and key features that it is worth noticing.

• They all provide evidence of substantial business investment in the current system. Many make the point that implementing apprenticeships is not straightforward and describe how they have changed their systems over the last few years to work with the governments’ reforms.

• None of them are currently spending their whole levy. All of the employers describe the complexity of setting up their new systems and creating new apprenticeship programmes, or scaling up existing programmes. While many, although not all, have an ambition to spend all of their levy, most are not there yet.

• Most employers are using apprenticeships for a range of purposes. Whilst some have focused their apprenticeship provision on their entry-level staff, others have also used apprenticeships to facilitate the career change and progression of their existing staff.

• Most of the case studies show the need to work with multiple apprenticeship providers because of geography and the range of roles that they are developing.

• Most of the employers had been involved with the trailblazers to help to design the apprenticeship standards that they needed for their businesses.

... The real work around apprenticeships happens in the businesses across the country who are working to implement the ideas and policies that are advanced by government. The case studies presented in this chapter show that this process of implementation is not straightforward and requires employers to invest heavily and manage a lot of complexity. They also show that apprenticeship programmes cannot be implemented over-night and demonstrate the journeys that many of the employers have been on to make apprenticeships work in their businesses.
Arup

Arup is an independent design consultancy founded in the 1940s. It is focused on the built environment and provides a range of consultancy services for large scale projects including the Shard, the Sydney Opera House, the Channel Tunnel and a range of wider community infrastructure projects. The firm employs around 16,000 people worldwide, with the head office and 5,000 employees located in the UK.

The firm has recruited apprentices throughout its history and now has several leaders and managers in the firm who began their careers as apprentices. The apprenticeship programme was revitalised in 2012 and has grown ever since. Arup is currently recruiting around 75 apprentices a year and spending around 18% of its apprenticeship levy.

Arup recruits apprentices at all levels from two to six, and plans to introduce a level seven programme in architecture next year. Most of its recruits begin at level three and around a third go on to progress to higher levels in subsequent years. The firm is recruiting across a wide range of apprenticeship programmes including business admin, finance, paralegal, engineering and transport planning.

The firm is very committed to apprenticeships and has been active in developing new standards through the trailblazer groups. The firm anticipates that it will continue to grow the scale of its apprenticeship programme over the next few years.
**CASE STUDY**

**British Airways**

British Airways is a full-service global airline flying to and from centrally-located airports. The business is based in Waterside near Heathrow and operates across the world.

The firm has been involved in the delivery of apprenticeships for many years. Its apprenticeship programmes were originally rooted in the delivery of more traditional apprenticeships. Since the levy was introduced it has broadened the use of apprenticeships with the Cabin Crew Apprenticeships providing one example. Existing apprenticeship programmes range from level two to level four. In the future the firm is looking to increase the number of higher and degree apprenticeships that it offers. The apprenticeship programmes are seen as critical in ensuring the firm’s future talent pipelines.

British Airways is not currently spending all of its apprenticeship levy, it expects to increase the proportion that it spends as the firm invests in higher and degree apprenticeships to complement its graduate recruitment. It is an employer provider for its cabin crew apprenticeships and is now exploring the possibility of becoming an employer provider of other apprenticeships.

The apprenticeship levy is being used to support both entry-level talent and the development of existing employees. The organisation is also involved in a number of trailblazer groups and continues to work on the development of future apprenticeship standards.

**Co-op**

The Co-op has 62,000 employees across a range of businesses and functions including retail, funeralcare, legal services and insurance. The growth of apprenticeships within the business has been part of the business transformation that the organisation has been through.

While the Co-op has a history with apprenticeships, in 2010 the organisation took the decision to reintroduce apprenticeships and has been steadily growing the number ever since. There are currently around 1,000 apprentices employed by the Co-op, which utilises about 15% of the organisation’s apprenticeship levy. They anticipate that the number of apprentices and the proportion of the levy spent will continue to grow over the next few years.

The Co-op runs a wide range of different apprenticeships ranging from level two to level six, recruits both internal and external apprentices and has developed a range of ways of engaging with schools and colleges to ensure that people understand the opportunities that are available through apprenticeships. The organisation is committed to ensuring that its apprentices reflect the diversity of the communities that they operate in.

The majority (60%) of the organisation’s programmes are focused on entry-level staff, but the firm also uses apprenticeships to progress the careers of existing staff. Apprentices have varied in age from 16 to 72 and the organisation is committed to supporting career changers to enter new professions as well as bringing in young people straight from school or college.

The organisation manages its apprenticeship programme strategically from its support centre, but the operational management of apprenticeships is done locally by line managers. The Co-op works with 11 apprenticeship providers to deliver all of these apprenticeships. It has also chaired the retail and funeral trailblazer groups.
CASE STUDY

Enterprise Rent-a-car

Enterprise Rent-A-Car is a global car rental and transportation solutions business. In the UK, Enterprise has branches and vehicles within 10 miles of 93% of the UK population. The business is one of the largest graduate recruiters in the country but has become increasingly engaged in apprenticeships over the last couple of years.

The firm uses apprenticeships to support the development of both entry level employees and existing staff. It finds that the levy can be useful for retraining and progressing existing staff as well as bringing in new talent.

It has also been careful to ensure that as its apprenticeship workforce has grown it is diverse and representative of the wider population.

The firm runs a variety of apprenticeship programmes including customer service, management, finance and IT. At present the firm is only spending a minority of its apprenticeship levy, but it anticipates that the number of apprentices that it employs, and the proportion of its levy spend, will continue to increase over the next few years. It has also begun the process of transferring levy spend down its supply chain and working with SMEs to encourage them to engage with apprenticeships.

Enterprise Rent-A-Car’s interest in apprenticeships is driven, in part, by the fact that it has a national footprint and is growing very fast. In these circumstances finding enough graduates can be difficult. Enterprise Rent-A-Car reports that apprentices are easier to recruit and that its apprentices are typically high performing employees.
**CASE STUDY**

**Fujitsu**

Fujitsu is a leading IT solutions company which employs around 7000 people in the UK. It is increasingly involved in more strategic digital transformation work with the range of clients that it works with. The rapid changes within the IT/digital industry mean that Fujitsu needs to continue to develop its skills through a mix of retraining and recruitment. Apprenticeships are a key part of its strategy to manage its skills supply.

In June 2019, Fujitsu has 79 entry level apprentices and has 125 of its existing staff on apprenticeship programmes. There is a lot of demand to get onto apprenticeship programmes from the company’s existing staff who view it as a good way to update their skills and develop their careers. The firm offers apprenticeships at all levels from three to seven, but only recruits new staff into levels three to six.

The firm works with about 15 different providers. This is driven partly by geography and partly because of the different standards that need to be delivered. It has an ‘apprentice academy board’ which brings together key people from across the business to manage the organisation’s engagement in apprenticeships.

The firm expects that apprenticeships will continue to grow over the next few years although the exact level is likely to fluctuate with the growth of the business. It is currently using about 40% of the levy.

Fujitsu is committed to apprenticeships and has placed them at the heart of its staffing strategy. There is a strong belief that the employees trained through the apprenticeship route will go on to be the future leaders of the company.

**M&GPrudential**

M&GPrudential is the UK and European savings and investments business of Prudential plc, the global financial services group. It was formed in August 2017 following the merger of the asset manager M&G Investments and Prudential’s UK and European insurance and savings business. It has around 6,000 employees in the UK.

The firm’s apprenticeship programme spans across England and Scotland. It works with four apprenticeship providers to deliver a range of standards such as Business Administration, Investment Operations and Digital Marketing and many more. M&GPrudential currently has 39 apprentices studying on a mix of level three and four programmes. It has a further 23 new apprentices expected to start in September. These were all recruited into the firm as school or college leavers.

The firm works closely with local schools and visits a lot of events and fairs. The enthusiasm about apprenticeships and alternative options to university varies from school to school but the firm has been impressed with the quality of the talent available.

The firm currently has 23 graduates, with 19 incoming graduates due to start in September, some of whom are following the level six apprenticeship in Financial Services. M&GPrudential is currently only spending a small percentage of its apprenticeship levy.

M&GPrudential is strongly committed to apprenticeships and believes that they are a key part of the organisation’s strategy to ensure that it continues to have a high quality, highly skilled workforce. As well as increasing their own engagement with apprenticeships the company is also looking at how it can gift more of its apprenticeship levy to companies within its supply chain.
Mott MacDonald

Mott MacDonald is a global engineering, management and consultancy firm. It has 16,000 employees worldwide and 8,000 in the UK. The firm is strongly committed to apprenticeships and recruits over 80 apprentices every year at both level three and level six. They expect the number of apprentices that they are recruiting to increase over the next year as they engage with new apprenticeship standards and work more closely with schools. They are already spending over 30% of their apprenticeship levy and expect this to rise to 50% next year.

Mott MacDonald recruits apprentices across a range of different business functions, with many of the apprenticeships focused on developing specific technical expertise e.g. engineering, quantity survey transport planning, and business administration. All apprentices, regardless of scheme, attend the same soft skill development programme.

The company’s recruitment is focused on entry-level staff with most either coming direct from school/college or entering the company after a period of work experience in another sector. The apprenticeship recruitment cycle has been aligned with the academic calendar (most positions start in September) to make it easier for young people to apply to start an apprenticeship straight from school.

Because Mott MacDonald is a national company it works closely with a wide range of apprenticeship providers in different localities. Managing all of these relationships can be challenging. But the company has established a strongly developmental approach with many apprentices progressing through different levels of apprenticeship.

The company has been involved in developing standards as part of the Technical Apprenticeship Consortium (TAC), an employer sector group working together to meet their needs through the recruitment and development of apprentices. TAC allows employers in the group to automatically form trailblazer groups, and has created four level three standards, and four level six standards. The employers in the TAC co-fund the costs of running TAC, which include employing staff to bring expertise and administrative support to this group.

Prospects

Prospects is the trading arm of HECSU, a UK charity. The organisation delivers online careers advice and guidance to students across the UK and provides a range of other services to the higher education sector. It employs 91 people and currently does not have to pay the apprenticeship levy.

The organisation decided to engage with apprenticeships in 2016 and currently employs three apprentices in marketing, finance and administration. The apprentices have all started at level two or three, but they are progressing onto level four and level six apprenticeships.

Because Prospects is a small employer they only have to pay 5% of cost of apprenticeships. The company feels that this is very good value. The organisation is very positive about the apprentices that they have recruited and has worked effectively with two different apprenticeship providers.

The addition of apprentices to Prospects has really paid off and the organisation anticipates that it will recruit more apprentices in the future.
River Island

River Island is a major high street fashion retailer. It employers around 11,000 people in the UK across its stores, offices and warehouses. It has approached the implementation of the apprenticeship levy carefully and has been committed to piloting initiatives before rolling them out. It is now poised to roll out apprenticeships in a much bigger way.

The firm currently employs about 25 apprentices. The majority of these were existing staff and are spread across level three to five apprenticeships in both stores and the head office. At the moment the firm is spending less than 10% of its levy, but it is anticipated that this proportion will steadily climb over the next few years and the firm has plans to ultimately spend its entire levy.

River Island has recently become an employer provider of apprenticeships to allow it to create more bespoke and flexible programmes. It anticipates that it will start to offer more entry-level apprenticeships going forwards. It is also investigating the viability of level six and seven apprenticeships for senior managers.
Challenges in the apprenticeship system

- Increasing levy spending
- Not recruiting enough apprentices
- Lack of relevant standards
- Bureaucracy
- Delivery challenges
- Funding concerns
- Concentrating on graduate recruitment
- Developing a strategy
- Not underspending
- We don’t find apprentices useful
The previous chapter illustrated the range of ways in which employers are implementing the apprenticeship system in their businesses. In this chapter we turn to look at some of the issues and challenges that have emerged. As we have already noted, this should be viewed as constructive criticism. Most ISE members are supportive of the overall system and seek mainly to make it work better.

In a survey of members we asked why they had difficulty in spending their apprenticeship levy. Figure 6 sets out their responses. It shows that most (74%) are keen to spend a greater proportion in the future, with 6% involved in developing new strategy around their levy spend. The most common reason for not spending the levy was the difficulty in recruiting apprentices (46%) particularly given the lack of relevant standards (35%), bureaucracy (19%) and concerns about operational delivery (14%) and funding (13%).

We explored these issues in greater depth in qualitative interviews with our members. They provided more detail on these concerns and challenges which were variously related to funding, bureaucracy, delivery and perception.

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> “... There is a range of issues in the way that the apprenticeships system works. ISE members described several challenges which they felt were preventing the system working as well as it could. These challenges related to funding, bureaucracy, delivery and perception.”

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Funding challenges

Many of the issues that employers raised related to the funding of the system. Some of these concerns were more macro and examined the funding of the system whilst others were more specific and addressed particular funding issues which caused challenges for the delivery of their apprenticeship programme.

Starting with the more macro level issues, there are questions both about whether there is enough money in the apprenticeship system and exactly how this funding system operates. At present there is a contradiction built into the apprenticeship budget where the levy is being used to pay for the entire apprenticeship budget. This was not the original promise of the system. George Osborne’s promise that ‘those paying it’ would be ‘able to get out more than they put in’ is important to remember here.

As we saw in the last chapter, employers, even ISE members, are not spending the full amount of the levy. Yet at the same time there are concerns that the money is running out and the ambition of the apprenticeship system needs to be reined in. In general ISE members rejected this argument and noted the fact that the apprenticeship levy needed to be viewed as a massive injection of new funding and that at present they were not using most of this money. The promise from government was that ‘employers would be in the driving seat’ which is not compatible with a situation where levy contributions are expropriated by government and viewed as Treasury revenues.

I sit and look at our levy pot and, like most other organisations, we are not spending most of it. Given this I don’t understand why government are worrying about the money running out.

We would like more freedom to spend our levy more freely. For example, to use some of it to train the staff who are mentoring apprentices.

These wider concerns about the levels of funding available have become apparent through changes in the maximum level that employers are allowed to spend on apprenticeship training (the cap). The Institute for Apprenticeships and Technical Education, which is a government agency responsible for overseeing the apprenticeship system, is engaged in a Funding Band Review which is resulting in the downward revision of caps on the price of a range of apprenticeship programmes.

In practice these changes can be very disruptive to business. Reductions in the caps require businesses and apprenticeship providers to renegotiate existing contracts and potentially adjust what is delivered. At its worst, the reductions in the caps have resulted in providers refusing to deliver programmes as they have become financially unviable.
ISE members recognise that there is a need for caps to exist to prevent abuses in the system. However, they are concerned that changes to these caps are undertaken too lightly, for opaque and arbitrary reasons and with too little understanding of the consequences of such changes for the business involved. Again, it is useful to return to the principle of employer ownership of the system and the idea that employers should be consulted on the levels that the caps are set at and then trusted to work with them.

Challenges with the bureaucracy

Another common concern from employers was that the system was too bureaucratic. This was highlighted in a range of operational concerns but seemed most acute in relation to the trailblazer process that is used to develop new apprenticeship standards.

Apprenticeship standards need to be developed for every occupation that employers want to recruit apprentices for. Several employers identified standards that were missing for roles that are important to their business. In general, they reported that the development of standards was a slow and tortuous process.

Standards have to be developed by employer-led trailblazer groups. Most of the employers that we spoke to had been involved in these trailblazers and endorsed the principle of employer leadership. However, they highlighted the resources required to contribute to these groups and the need for a greater amount of pedagogic and administrative support in their operation. They also argued that the trailblazer process was often too bureaucratic and focused on rules and requirements that were not always directly relevant to employers.

There has to be a cap, but there is not enough transparency from the Institute for Apprenticeships and Technical Education about how these are reached and there are far too many inconsistencies in the process. The level of the cap should be determined by the qualification.

The funding cap reviews have been a challenge. Changes to the caps happen too regularly and for far too arbitrary reasons. This is very time consuming and results in a lot of admin and renegotiation between employers and providers. In some cases the caps have been set so low that providers can’t deliver and this results in some standards falling out of use.

We are more than willing to pay well for high quality training. The government driving the cap down has a negative impact on training providers. At its worst this results in standards that no one will deliver as they are not financially viable.

EMPLOYERS SPEAK

We've got to find a way to reduce Government bureaucracy and red tape.

The Institute for Apprenticeships and Technical Education needs to provide more support to the trailblazers. At the moment it is auditing the trailblazer process, but not providing enough help or support to the employers involved.

The employer-led creation of standards is a labour intensive process and very few employers have the time or resource to support the work that needs to be done.

There are a lot of blockers in the current system. We need to open up the trailblazer system to make it work better.

The Institute for Apprenticeships and Technical Education’s trailblazer process is very cumbersome.

Another issue that came up several times was the operational challenge of delivering an apprenticeship programme across the four nations of the UK. Each nation has a different apprenticeship system which makes it very difficult for employers who are working in more than one country.

A more specific example of bureaucracy was given in relation to the work of the skills coaches who work with apprentices to ensure that they can apply their learning in the context of their workplace. Employers argued that in practice skills coaches spent a large proportion of their time involved in the delivery of bureaucratic requirements associated with the apprenticeship systems and with wider government agendas such as the Prevent and British Values initiatives which are designed to address radicalisation in the education system. Most employers questioned the relevance of these initiatives as part of the apprenticeship system.

**Delivery challenges**

All of the employers that we talked to highlighted concerns with some of the structures and processes that are built into the delivery of apprenticeships. The most common issue related to the requirement to provide all apprentices with 20% of their time in off the job learning. Some employers felt that this was too much, but most would like to see it made more flexible or allow them to spend levy money on backfilling this time. Half (50%) of the membership of the ISE reported that they would like to see this changed. An employer survey from City & Guilds & ILM also reported similar findings. The OECD notes that England is unusual for viewing the training of apprentices as something that is largely done by training providers rather than the employer. It would be possible to imagine a system where the 20% off the job training is treated more flexibly, but the system expects more from the on-the-job training in a way that recognises the expertise of employers. Alternatively, some employers argued that it should be possible to use the levy to backfill the costs incurred by business from providing staff with 20% of their time for off the job training. Whatever is done, it is clear that at present the 20% off the job requirement is acting as a barrier to some employers’ engagement in the apprenticeship system.

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I agree with the 20% off the job requirement, but it is very expensive for our business. It would be good if we could use some of the levy funding to backfill some of the costs.

If we want to increase businesses’ capacity to offer apprenticeships we need to take the 20% off the job requirements away. Increasing the flexibility around this would increase businesses’ willingness to train and develop people. It would make it easier for both existing staff to justify accessing apprenticeships and would improve the case for making new roles into apprenticeships.
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Another issue that came up several times was the operational challenge of delivering an apprenticeship programme across the four nations of the UK. Each nation has a different apprenticeship system which makes it very difficult for employers who are working in more than one country.
Challenges of perception

Finally, employers raised several issues about the way that apprenticeships are perceived by other employers, by the general public, by schools and by particular groups within society. Many expressed frustration that the image of apprenticeships was often out of kilter with the reality.

Very few employers report serious problems with the recruitment of apprentices. On average employers reported that they receive 25 applications for every apprenticeship that they advertise.25 Despite the popularity of apprenticeships we estimate that around 14% of apprenticeship vacancies went unfilled last year. But this figure was very similar to the corresponding figure for graduate recruitment and we have also found that apprentices are more likely than graduates to accept the jobs that they are offered. However, we have also heard reports that SMEs find managing apprenticeship recruitment more difficult than larger firms. This is something that will have to be addressed in the future if apprenticeship numbers are to grow.

Although ISE members did not report a crisis in recruitment, several employers have been working closely with schools to raise the profile of apprenticeships. In some cases schools have been very receptive, but others remain focused on the academic track to the exclusion of all else. This means that even where young people have heard about apprenticeships many of them remain concerned that they do not offer good opportunities (or as good opportunities as higher education). Employers were keen to ensure that young people understood that there is a wide range of different opportunities within apprenticeships that could open up a variety of different careers.

It was not just schools that had an inaccurate picture of apprenticeship. Some ISE members argued that employers also had misunderstandings about what contemporary apprenticeships are like. There was concern that these kinds of misapprehensions could be militating against wider employer involvement in apprenticeships.

Employers were also concerned about whether all young people were equally informed about apprenticeships and whether the best opportunities that are available through apprenticeships are equally available to all. One of the worrying things about the way that the apprenticeship system has developed in England is that a gap has opened up between ‘the best apprenticeships’ (which are high quality and in many cases offer greater salary returns than average degrees) and ‘the rest of the apprenticeships’ (which are often low-skilled and poorly paid).26

Other key concerns relate to the way that apprenticeships have exacerbated occupational gender segregation.27 This has resulted in big differentials in the earnings premiums for men and women. There are also concerns that apprentices are less likely to be from non-white and disadvantaged backgrounds.28

Finally, employers were also concerned that apprenticeships were being portrayed as a ‘youth brand’. They were keen to emphasise that while apprenticeships offered good opportunities for young people, they were also relevant for career changers and for staff looking to progress their career.

The current apprenticeship systems provide a strong framework for the future. However, there is a range of ways in which it could be improved and made more responsive to employer need. This chapter sets out some key principles that we believe should underpin the government’s future policy with ten recommendations to improve the system.
As Chapter 5 showed, ISE members are working with the apprenticeship system and making it work effectively. However, chapter 6 highlighted a range of issues and challenges that employers have encountered as they have implemented the system. In this chapter we offer ten recommendations to government.

We surveyed our members to ask them what reforms they would like to see in the levy. Figure 7 shows their responses. Key issues that emerged were the need for increased flexibility, the faster development of apprenticeship standards and the need to change the way in which the 20% off the job training was organised.

**Figure 7**
**How employers would like to see the apprenticeship levy reformed**
*(Based on responses from 121 employers)*

- Increased flexibility in the spending of the levy: 83%
- Faster development of apprenticeship standards: 59%
- A change to the requirement for 20% off the job training: 50%
- Reduction in the levy: 30%
- Creating more opportunities for the pooling of levy funds: 21%
- Increasing the proportion that we can pass on to our supply chain: 9%
- None, we are happy with the current system: 6%
We used these survey findings to guide more in-depth discussions with members and to develop clear principles and recommendations about how the system should develop.

The principles that we believe should guide any future revisions and reforms of the system are as follows.

- **Stability.** Business thrives in a stable environment. The government should seek to ensure that the system remains as stable as possible and that any new innovations are introduced carefully and with employer consultation.

- **Transparency.** The apprenticeship system, and particularly decisions about funding, needs to be made more transparent. Employers, and other stakeholders, should be able to clearly see why decisions are being made and what the consequences of these decisions are.

- **Flexibility.** Systems need to be designed with an understanding of the operational requirements of running a business. Employers are often expected to fall into line with norms imported from the education system.

- **Employer ownership.** The government rightly committed to the principle of employer ownership of the system when it was launched. It is important that this principle guides all future thinking about the system and that the idea of employer ownership is operationalised further.

We have then built on these principles to propose ten recommendations for the future of the apprenticeship system. We are not saying that these are the only things that need to change with the apprenticeship system. The system needs to continue to develop over the long term to best meet the needs of all stakeholders. However, these ten recommendations should be prioritised to strengthen the existing system.
Recommendation #1

**Ensure stability in the apprenticeship system**

The current apprenticeship system is a major step forward. However, it needs time to bed in and become part of business norms before major changes are made. It is important that all political parties sign up to the continuation of the current system and that its future is depoliticised and guaranteed. Ensuring that employers are genuinely in the driving seat is one of the best ways to avoid the system becoming a political football in the future.

*Any changes to the system should be limited, gradual and done with careful employer consultation.*

Recommendation #2

**The levy should not be a payroll tax**

We believe in the principle that employers who are committed to the apprenticeship system should be able to shape the system. Good employers should get out more than they put it.

Government needs to remember that it has had a massive increase in funding through the introduction of the levy and act in good faith. This means that the levy should be seen as a genuine levy which incentivises employers to behave positively with respect to apprenticeships, skills and training, rather than as a payroll tax on large employers. Money gathered through this system should be clearly hypothecated for use in the apprenticeship system. Larger employers cannot be expected to bankroll the entire skills system alone. In this we echo the Augur Review’s conclusion that ‘getting employers to pay for the whole system would put too much emphasis on economic value alone. A shared responsibility, in our view, is the only fair and feasible solution.’

There is a strong rationale for employers to be able to control their apprenticeship budgets and for employers to be incentivised to provide more training. The current system holds out the promise of doing this, but because the contributions of large employers are being appropriated by government it pushes the system away from that ideal. This is a mistake. The principle of ‘you get out more than you put in’ needs to be reaffirmed.

At the moment, and despite its weaknesses, the system has a lot of support from employers. The more the system is seen as an unaccountable ‘smash and grab raid’ by government, the less support there is likely to be.

*Government should reaffirm the principle of ‘you get out more than you put in’, increase transparency in how the apprenticeship levy pot is managed and where the money comes from and recognise the fact that larger employers cannot be expected to pay for the whole system.*

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Recommendation #3

Double the levy ‘expiry date’

Firms are currently required to use their levy funds within 24 months or lose them. We understand the need for this incentive as a way of driving engagement with the fund. However, the implementation of the apprenticeship system and the development of new standards has been slower than many employers would have liked.

We need an extended expiry date for levy paid in the first couple of years in recognition of the lack of standards initially and the time it has taken to transition to the new funding system.

We would like to see the two-year time limit relaxed on apprenticeship spending. The time between the launch of the levy and the development of relevant standards was too long. There are still a number of standards that we are waiting for. We need to be given more time to catch up.

The two-year limit to spending the levy is not long enough. Especially when the standards have been so slow to develop and some standards take four years to deliver. We’d like to see the time frame for organisations to spend the levy money extended.

The ‘expiry date’ on apprenticeship funds should be doubled to 48 months while the system becomes better established.

Recommendation #4

Increase levy flexibility

At present the levy funding can only be used to pay for training and assessment costs. Many employers were keen to highlight the fact that these costs represented a very small component of their total investment in the apprenticeship system. They talked about the need to recognise the infrastructure costs within their firms, e.g. appointing an apprenticeship manager, travel costs for apprentices, recruitment costs and the salary costs of the apprentices themselves as being important other areas of expenditure.

The levy needs to be able to be spent on salaries and associated employment costs.

We would like to be able to spend some of the levy money on a proportion of the apprentices’ salary, a proportion of the pastoral care and support for apprentices and the development of a wider ecosystem for apprentices.

We would like to be able to use the apprenticeship levy more widely, for example to help us to create more apprenticeship standards.

We need to loosen up what the levy can be spent on. We would like to use some of the levy funding for (1) some support towards the 20% off the job costs; (2) to pay travel costs for apprentices; and (3) to support apprenticeship teams within businesses.

We would like to be able to spend money on a wider range of things to support our apprenticeship programme. We would like to be able to use the money to backfill the costs of providing 20% off the job training and to pay for apprentices’ travel costs.
We recognise that there are potential dangers in broadening what the apprenticeship levy can be spent on. It is important that the levy does not just get absorbed back into businesses in ways that do not incentivise engagement with apprenticeships. However, at present what it can be used for does not fit particularly well with the costs that firms are incurring when they employ and train apprentices. Allowing a proportion of the levy to be used to support infrastructure or travel costs may encourage employers to engage more.

The levy is designed to incentivise a step change in the extent of apprenticeship provision in England. At present it is not achieving this step change, in part because it is does not offset enough of employers’ costs to act as a genuine incentive.

Government should convene a working group of employers to review the flexibility of the funding arrangements and make recommendations which will increase employer engagement with the system. A key consideration should be whether the range of costs that can be supported with the levy should be increased.

Recommendation #5
Join-up the apprenticeship systems in different UK nations

The fact that apprenticeship policy is devolved has resulted in different systems emerging in England, Scotland, Northern Ireland and Wales. For businesses this situation is extremely difficult to manage and introduces a lot of complexity into the apprenticeship system.

We understand that the politics of devolution are complex and that a solution in this area is likely to be difficult. Nonetheless, we believe that it is in everyone’s interest to create a system that is workable across all of the countries of the UK.

We would like the ability to spend the levy in the devolved administrations.

We would like all four nations to come together to create a single skills policy including apprenticeships to meet the requirements of employers.

The fact that apprenticeships are a devolved policy means that for large organisations with multiple locations across countries there are challenges in managing apprenticeships and applying consistency in terms of learning, costs, available approved providers and employment law. This is certainly our challenge as a significant percentage of our workforce and apprentice population is based in Scotland where the levy does not apply.

Governments across the four nations should convene a working group comprising of civil servants and employer representatives to explore ways of creating a more joined up national system.
Recommendation #6
Support higher and degree level apprenticeships

Britain needs high-skills to drive the economy. One of the innovations in recent developments around apprenticeships has been the introduction of higher and degree level apprenticeships. There has been extensive investment in the development of these new routes with 107 higher education providers now registered to deliver 59 degree apprenticeship standards across 11 sectors.30 Employers are very supportive of these initiatives and concerned about threats to remove funding from degree level apprenticeships or reduce access to them.

The development of degree apprenticeships has been challenged by the Association of Employment and Learning Providers (AELP).31 They argue that the existence of level six and seven apprenticeships has driven the cost of the system up and worry about the loss of access to level two and three apprenticeships. This point is also echoed in the Augur Review.32

However, the concerns advanced by the AELP and in the Augur Review ignore the fact that it is only four years since there was a major new injection of funding into the apprenticeship system. At the time this was sold as something that would be a step change in skills provision in Britain. The introduction of the levy needs to be viewed as increasing the funding available for the apprenticeship system, rather than as a ruse to save the government money and transfer all costs to large employers.

It is also important to remember that, at present, level six and seven apprenticeships still make up a very small proportion of the number of apprenticeship starts (as we showed in figure 4). It is damaging to set one group of apprentices against another, and to do so runs counter to what employers are looking for. They want to be able to identify the right kind of apprentice for their business need rather than pursuing arbitrary government targets around particular levels of apprenticeships.

Other criticisms, such as those contained in the Augur Review, argue that level six and seven apprenticeships tend to be pursued by more advantaged people. We question whether it is realistic for the apprenticeship system to be tasked with addressing longstanding social inequalities. We also note that degree apprenticeships are a new innovation whose impacts and potential are not fully clear. We argue that, implemented correctly and with attention to the profile of learners involved, there is a strong social mobility rationale for supporting degree apprenticeships. Universities UK argue that they attract a type of student who would be unlikely to pursue a traditional degree33 and this is borne out in research from the Office for Students.34

There is also concern about the ‘rebadging’ of existing training, including graduate schemes, to allow it to fit into the apprenticeship system. While we agree that everything paid for by the levy should be a real apprenticeship we believe that existing training can often offer a good basis for such apprenticeship programme. It is important not to punish good employers who were committed to high quality training prior to 2017. The opportunity to bring existing, high quality eligible training into the apprenticeships system should enhance the standing of the apprenticeship system, help to bring standardisation, recognition and transferability for workplace training and reward employers with long standing commitments to training their workers to a high level of skill.

Employers are also keen to stress that having a pre-existing degree should not exclude you from taking an apprenticeship. Apprenticeships are designed to develop skills that meet employer needs. Reducing access based on previous qualifications reduces employers’ capacity to find the best person for the job and grow the skills that the economy needs. Having completed a degree in an unrelated subject in the past should not prevent you from reskilling in ways that allow you to be more productive. Reducing access to level six and seven apprenticeships at this stage would also run the risk of killing these levels of apprenticeship off before they have got established.

The fact that English apprenticeships are shorter and lower-skilled than those in most other countries strengthens the case for a high-skill apprenticeship system. The aim should be to have a world class system which trains people to high levels of skill – rather than a second rate system in which people are just trained to do the job that they are currently in. Continuing to increase the availability of level six and seven apprenticeships increases low skilled workers’ opportunities for progression and the development of their skills.

Our belief is that if someone has achieved a degree 20 years ago and now they want to become a funeral director, this should be possible as long as it is occupationally different to the degree. Apprenticeship funding should be able to support this. Thinking only about the level of previous qualifications is not a sensible way to think about it. It should be about developing the skills that individuals need to be successful in their occupations.

If a graduate is moving into a new area of business or wants to change careers then the levy is a good way to help these employees and is also great for the business.

Most of our level six recruits don’t have a degree, but we are seeing an increase in experienced people looking to retrain and some of them have degrees. We’re fine with more experienced hires accessing apprenticeship funding if they have sound motivations for their career change.

Level six qualifications are critical to our business. They open up a diverse range of talent to us, including people who couldn’t have gone to university. The continuation of the level six qualifications is important.

Our capacity to spend the levy at the lower end is very limited. We are a high skill business. If we only recruited at level 3 it wouldn’t drive our business forward. Degree apprentices are essential for our business.

I don’t think there is any doubt that most organisations are supportive of providing greater investment into apprenticeships. It would be a real retrograde step if funding at degree level was reviewed or cut, as this is the real opportunity we have to provide real alternatives to students to going to university.

Government should reaffirm its commitment to higher and degree level apprenticeship and resist short-sighted calls to restrict access to these apprenticeships on the basis of prior qualifications.
Recommendation #7

Review the way apprenticeship standards are created and developed

The process of creating apprenticeship standards is a long and complex one. Many ISE members have been involved in the creation of these standards through the trailblazer process. They often reported that this process was not working as well as it could, that it was bureaucratic and required them to invest too much time and resource in the programme. Many simply wanted more transparency about the process and timescales that new standard would have to go through.

The principle of employer ownership that sits at the heart of the trailblazer process is a good one which should be preserved. However, this shouldn’t be interpreted as employers being left alone with no support. Employers would like to be able to draw on more pedagogic and administrative support in the creation of apprenticeship standards.

Some employers also raised concerns about whether a process existed which would allow the standards to be refined, developed and flexed to address changes in the labour market. There is a need both to make the standards easier to tailor to local need and a more long-term need to allow standards to be revised as things change without requiring the full standard development process to take place.

We have been involved in a number of trailblazers. We would devote more time to the trailblazers than we do if they weren’t so cumbersome. We desperately need more standards in the built environment, but each standard takes two years to develop.

There needs to be more thought about how the standards will be reviewed and adapted over time. There needs to be a process which allows for standards to be developed in line with the changing requirements of the workplace.

The Institute for Apprenticeships and Technical Education should review the process of standard creation and development and seek to make it shorter, sharper and more flexible. The trailblazer groups should be provided with sufficient administrative support and pedagogic expertise to ensure high quality standards are produced and to prevent them from being a massive drain on employers’ resources. There is also a need to consider how the process of revising and developing apprenticeship standards should be organised to ensure that they are responsive to change.

Recommendation #8

Increase flexibility in off the job training

At least half of ISE members find the way that the 20% off the job training is organised is too restrictive. Many reported that it did not fit with the operational demands of their businesses. They reported that it took employees away from their business for too long and that it was often inflexibly interpreted by funders and training providers. This made it impossible for employers to develop creative ways to work with the 20% off the job training that still allowed them to address business needs like seasonal peaks in demand. The release of the new guidance from government has been helpful in providing clarification, but does not address the fundamental concerns that employers have about flexibility.36
Employers were able to come up with a range of creative solutions to this problem: some argued that the apprenticeship levy could be used for backfill costs; others that the requirement should be reduced; and others that a greater recognition could be found for the training, mentoring and development of apprentices that is undertaken by the employers themselves. While some of these suggestions would require genuine reform of the system, others could be achieved through a clarification of the regulations and advice on their implementation.

The requirement for 20% off the job training is too inflexible. I understand the logic of the 20%, but it is too rigid. In retail we have busy months and we need to be able to flex around the 20%. The SFA has been very inflexible in varying the regulations to accommodate the business cycle, e.g. our busy times around Christmas.

The 20% off the job training requirement is preventing us from using apprenticeships with existing staff. The 20% off the job training requirement is interpreted differently by different providers.

Government should convene a working group to look at the way in which the 20% off the job requirements are managed. This group should include employers, apprenticeship providers, the Institute for Apprenticeships and Technical Education and Ofsted. The group should rapidly produce restated guidance on the 20% that emphasises flexibility and the need to recognise businesses’ operational needs. It should then consider whether there is a strong enough case to reduce the 20% or substantially reform it in another way.

Recommendation #9

Celebrate how apprenticeships can transform careers for everyone

We have already described how employers are using apprenticeships for a range of different purposes. Some apprenticeships are aimed at entry-level staff (school leavers and graduate), others at career changers and others at progressing existing staff. Employers are keen to preserve the option to manage the apprenticeship levy in a way that fits with their business needs and allows them to invest in training in the way that they believe is most relevant.

At the ISE we are particularly focused on entry-level talent and believe that all businesses should ensure a steady flow of new talent into the labour market. At the moment fewer than 26% of apprenticeship starts come straight from school and we would like to see this proportion growing. However, we are also impressed with the range of schemes that exist to facilitate career change, labour market re-entry and the progression of current staff. Indeed, it is unlikely that all, or even most, employers could spend the levy if its use were to be confined to only entry-level staff. The ability to use it flexibly to up-skill the whole workforce is central to the way that it has been embedded in businesses so far.

The relaxation of the age range and the limits on previous qualifications is great. This has changed what apprenticeships are for. But, the assumption from a lot of people is that apprenticeships are still for people who are straight from school and this makes it more difficult for people who don’t fit into that. We need to re-educate people that the focus of apprenticeships is changing.

Apprentices are a good way to support career change. It is important that this is available as a route for apprenticeships as it opens up new pools of talent to us.

Apprenticeships are changing and there is a need to move the public perception of apprenticeships away from viewing them as only suitable for blue collar jobs or for ‘less-academic’ young people. Employers were keen to work with government to change the narrative.

Related to attempts to change the perception of apprenticeships there is a need to focus on how access to apprenticeships intersects with diversity. There are concerns that apprenticeships are becoming too white, that the best apprenticeship opportunities go to the most advantaged and that occupations are too segregated by gender. All of these issues need to be addressed as part of shifting the image of apprenticeships.

Employers speak

In the past apprenticeships were seen as being fit for not very academic 16 year olds who wanted to go into plumbing. This is no longer the case.

We need to stop advertising apprentices wearing high-viz jackets and hard hats and showcase the diversity of the different apprenticeships available.

We need a campaign to change the notion that ‘Apprenticeships are for young people with no experience’. Apprenticeships need to be promoted in schools, but they also need to be promoted in universities, via job centres and through the armed forces. There need to be case studies of people using apprenticeships to return to work and to make a career change.

Our gender balance is pretty equal overall, but when you look at particular occupations it can look less diverse. We need to challenge the assumptions about what jobs and apprenticeships are for different people.

We need to reach out to hard to reach areas and social mobility cold spots and actively promote apprenticeships to all.

Diversity in apprenticeships is a challenge. There is lots that employers can do around attraction strategies but we also need to encourage employers to pay more than the National Apprenticeship wage for higher level apprenticeships. This is a real challenge for us, as there is a high cost of living where we are based. This means that we are unlikely to attract any students from outside of the immediate geography as they will not be able to afford to relocate.

Government should ensure that the campaigns, rhetoric and imagery around apprenticeships reflect the way that current apprenticeships are organised. While there is important work to do to engage young people in apprenticeships, it is vital that apprenticeships are understood as being applicable to a wider and more diverse group of workers that is representative of the population at large.
Recommendation #10
Promote apprenticeships across the education system

There is a need to ensure that apprenticeships are enthusiastically promoted in schools as a route to a good career and a desperate need to move away from the presumption that university is the default route for young people. This was at the heart of the original vision for the current policy.

Our goal is for young people to see apprenticeships as a high quality and prestigious path to successful careers, and for these opportunities to be available across all sectors of the economy, in all parts of the country and at all levels.

Sajid Javid (Secretary of State for Business, Innovation and Skills) & Nicky Morgan (Secretary of State for Education and Minister for Women and Equalities).

We believe that government has been doing a lot of the right things in this area. The introduction of the Baker clause which requires schools to provide students with access to all types of post-16 and post-18 pathways is one important step forwards. The adoption of the Gatsby Benchmarks in the government’s Careers Strategy is another and investment in career education and guidance through The Careers & Enterprise Company is another. The proposal in the Augur Review to ‘use data on apprenticeships wage returns to provide accessible system wide information for learners with a potential interest in apprenticeships’ will also help to underpin good career decision making by learners.

Despite all of these initiatives employers are still reporting patchy engagement from schools and this is backed up by wider research which shows that schools’ engagement with careers education and vocational opportunities still lags behind the policy vision.

Employers are committed to working with schools, offering employer talks, activities and work experience placements, but they need this work to be supported and reinforced by schools and colleges themselves. This means that we need to see ongoing improvement in career education and guidance and a campaign to improve all teachers’ awareness of apprenticeships.

Schools are still too focused on promoting universities to young people. They need to be able to explain the full suite of options available to students and be incentivised to provide apprenticeship starts.

Schools are variable in the amount of support that they provide. Some are keen for us to come in to talk about apprenticeships. Others say that they don’t have the time.

We need to re-invest in schools’ careers advice – as despite the measures taken to date, this is still not moving on quickly enough. There is also a need to better join education policy and apprenticeship policy. While schools are still being measured against the number of young people they get into university it is difficult to get them to focus on apprenticeships. Parents and teachers also need to be educated around all the routes available.

Government should continue to invest in high quality career education and guidance in schools and ensure that schools and colleges promote vocational routes alongside the academic route.
Conclusions
In this report we have taken stock of the current apprenticeship system. As we have described, this system has emerged out of years, indeed out of hundreds of years, of policy experimentation with apprenticeships. We feel that the current system is working and that it provides a strong foundation for the future.

We have described how ISE employers are working with the system, investing their resources in it and placing it at the heart of their business. For many the investment in apprenticeships has been a long, hard road, but one which they are now starting to see some return. Because of this we believe that it is important that government maintains a ‘steady as she goes’ approach as it thinks about the future of the system. An apprenticeship system cannot be embedded over-night, where policy is stable, businesses can learn to rely on it and work with it.

Our overall call for policy stability does not mean that we are uncritical of the current system. It has yet to drive the real step change in the numbers of apprentices that we would ultimately like to see. More also needs to be done to stimulate the engagement of young people in the apprenticeship pathway.

There is also a need to make the system slicker, less bureaucratic and more responsive to employer needs. Our members are on the sharp end of many of the processes in the current system and have been becoming increasingly frustrated as they have been working with them. We would like to restate the principle of employer leadership on apprenticeships and argue that government needs to genuinely put employers in the driving seat as we move to evolve the system going forwards.
The Institute of Student Employers
The Institute of Student Employers is the biggest student recruitment and development community in the UK.

The Institute was founded over 50 years ago on the principles of knowledge-sharing, networking and blue-sky thinking. It represents, supports and connects employers who are committed to the recruitment and development of entry level talent. It also welcomes educational institutions and organisations involved in the student recruitment market as member.

The ISE is independent and fully committed to supporting our members in all aspects of student recruitment and development.

Appendix

ISE employer members

- Accenture
- AECOM Ltd
- AIG Europe Ltd
- Alfa Financial Software Limited
- Allen and Overy LLP
- Amadeus
- Amazon
- American Express
- Aon
- Arcadia Group Limited
- Arcadis
- ARK
- Army (Capita Business Services Ltd)
- Arriva Plc
- Ashurst LLP
- Associated British Foods Plc
- AstraZeneca
- Atkins Limited
- Atos IT Services UK Limited
- Auto Trader Ltd
- Aviva
- AWE
- Babcock International Ltd
- BAE Systems Plc
- Bailie Gifford
- Baker & McKenzie Services Ltd
- Bakkavor Ltd
- Bank of America Merrill Lynch International
- Bank of England
- Bank of Ireland UK
- Barclays Bank
- Barratt Developments PLC
- Bates Wells Braithwaite LLP (BWB)
- BDO Services Ltd
- Bird & Bird LLP
- Blake Morgan LLP
- Bloomberg
- BNP Paribas CIB
- BNP Paribas Real Estate
- Boeing UK Ltd
- Boots Management Services Ltd
- Bouygues UK
- BP
- Bristows (Services) Ltd
- British Airways
- Bryan Cave Leighton Paisner LLP
- BT
- Burges Salmon Company Limited
- Cabinet Office
- Cadent Gas Ltd
- Capgemini UK Plc
- Capital One
- Central Manchester University Hospitals NHS Trust
- Centrica
- CGI IT UK Ltd
- Charles Russell Speechlys LLP
- Citigroup Global Markets Limited
- Clifford Chance LLP
- Clyde & Co LLP
- CMS Cameron McKenna Nabarro
- Olswang LLP
- Cognizant Technology Solutions UK Ltd
- Coherent Scotland Ltd
- Commerzbank AG
- Costain Ltd
- Croda Europe Ltd
- Cummins Ltd
- Danone UK Ltd
- Defence Science & Technology Laboratory
- Deloitte
- Dentons UK and Middle East LLP
- Deutsche Bank London
- DHL
- Diageo Great Britain
- Dixon Wilson
- DLA Piper UK LLP
- DNV GL, GL Industrial Services Ltd
- DWF LLP
- Dyson Technology Ltd
- E.ON UK PLC
- EDF Energy
- Enterprise Rent-A-Car
- Essentra Plc
- Eversheds Sutherland
- Expedia.com Ltd.
- Experian
- Explore Learning
- EY
- Facebook
- FDM Group Ltd
- Fidelity Investments
- Financial Conduct Authority
- Firstco Ltd.
- FirstGroup plc
- FIS Systems Ltd
- Foot Anstey
- Fujitsu
- Gardiner & Theobald
- GCHQ
- Gibson Dunn
- GlaxoSmithKline Services
- Glencore
- Goldman Sachs International
- Goodwin Procter (UK) LLP
- Gowlings WLG (UK) LLP
- Grant Thornton UK LLP
- G-RESEARCH
- GVA UK
- GVC Holdings
- Heathrow Airport Limited
- Hill Dickinson LLP
- Hilton Worldwide
- HM Treasury
- Hogan Lovells International LLP
- Holman Fenwick Willan
- Howard Kennedy LLP
- HSBC
- Hymans Robertson
- IG Group
- IMI Precision Engineering Limited