

**Apprenticeships, Reforms and COVID-19
Findings from IER's research on vocational
education and training**

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Introduction

Over the course of the pandemic IER has been involved in several studies which were concerned with understanding how the apprenticeship system had responded to various changes taking place in the labour market. This looked, amongst other things, the impact of various apprenticeship reforms on employer behaviour, in an attempt to understand why apprenticeship starts had fallen away over recent years. Indicative findings are available from IER's research on apprenticeships:

1. Most of this paper is based on a study funded by the [Edge and Gatsby Foundations](#) which researched employer responses to the levy's introduction;
2. building resilience in apprenticeships for the [Co-op Group](#);
3. how apprenticeship employers responded to the introduction of the changes in the national minimum wage (for the [Low Pay Commission](#))

As well as understanding the responsiveness of the apprenticeship system to meet the labour market's changing skill requirements, insights were also obtained into how the pandemic and resulting fall in economic activity affected employers' apprenticeship plans. The presentation will provide insights into both:

- structural changes taking place which have and are likely to continue to affect participation in apprenticeships; and
- temporary/transitional changes which are likely to pass relatively quickly (this is not just limited to the pandemic but also some features of the 2017 apprenticeship reforms).

Before providing findings on changes in employer behaviour on skills it is perhaps worth reflecting on changes taking place in the labour market to which apprenticeships, and vocational education and training (VET) in general, needs to respond.

The changing labour market and VET landscape

VET is seen as a way of matching skill supply to demand in the labour market. In order to make sense of the changes taking place in VET / apprenticeship systems there is a need to consider how demand is changing, especially in relation to the twin technological changes wrought by digitalisation and greening of the economy.

The general view is that the diffusion of new technologies in the guise of AI, robotics, and the Internet of Things has resulted in a hollowing out of the skill structure. Jobs at risk of substitution were considered to be ones which required routine, repetitive tasks to be undertaken and these were typically found in jobs in the middle of the occupational hierarchy. This included many clerical, skilled trades and operator jobs. These were also jobs which tended to require people to be educated to Level 2 and 3 typically through VET system including apprenticeships. The combination of technological change and globalisation resulted in the demand for skills being increasingly skewed towards high levels ones associated with managerial, professional, and associate professional occupations. This clearly posed a challenge to a VET system which, like many of its international counterparts, was focussed on equipping young people to enter jobs which typically required a Level 2, 3 or 4 level qualification. It needs to be borne in mind that replacement demands mean that there will

continue to a substantial demand for skills at these levels, but the direction of travel is clear enough.

The most obvious response to the changing demand for skills resulting from technological change has been the increase in higher education participation rates across many countries in the western world, including the UK. The policy debate has shifted across Europe - including the UK - to emphasise alternatives to higher education (HE) as a means of equipping people with the higher level skills to meet labour market needs. This seems to derive from concerns about rising levels of skills mismatch. VET – especially in the form of apprenticeships – is very much seen as an effective means of bringing about a better match between the supply of, and the demand for skills (it is perhaps worth bearing in mind that higher education and VET are not mutually exclusive).

This response to HE has hinged around making VET more attractive to would-be learners through:

- providing pathways to higher levels of study;
- improving the quality of provision;
- providing employers with a role in deciding the content of standards.

Additionally, there have been funding changes:

- designed to make VET more demand led; and
- increase the volume of training places available.

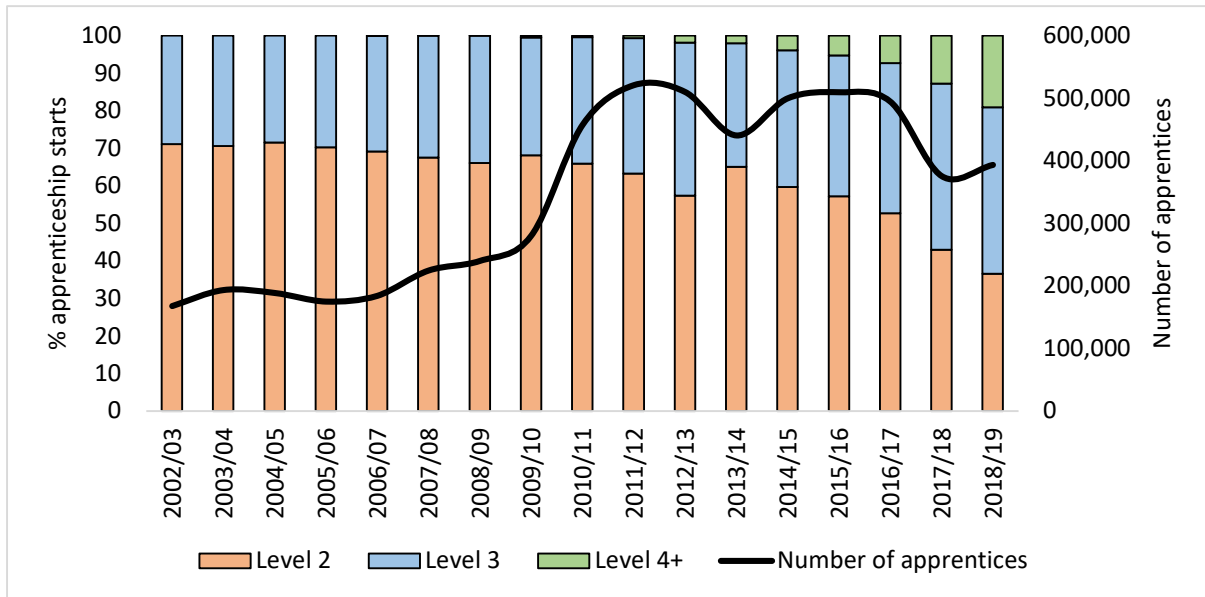
Within the apprenticeship system in England this has seen:

- the emergence of higher level apprenticeships;
- stipulations (and greater enforcement) regarding minimum levels of off-the-job training;
- employer routed funding; and
- the introduction of the Apprenticeship Levy.

Initial assessment of outcomes

Since their initial establishment in 1994, the number of apprentices trained in England has increased substantially (Figure 1), but the levels at which they are taken has changed substantially over a relatively short space of time. This is returned to later.

Figure 1: Change in apprenticeship starts, 2002/03 to 2018/19



The major change has been the introduction of the Apprenticeship Levy. The research for the Edge and Gatsby Foundations suggest that there have been some impacts which are transitional, including:

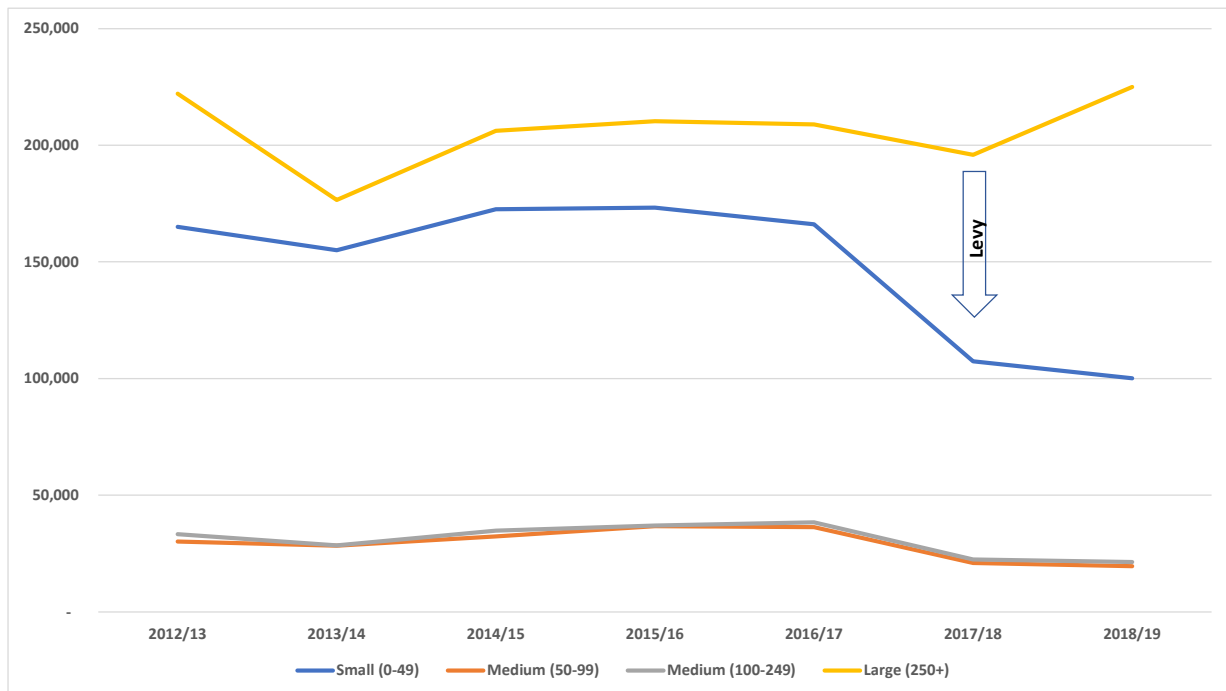
- a pre-apprenticeship recruitment ‘spike’ as employers sought to avoid the impact of the reforms;
- administrative issues related to reclaiming Levy payments and taking on apprentices;
- co-ordination failures, and a lack of planning, within large companies. In some cases the departments which recruited apprentices had little or no control over the Levy pot;
- the pandemic which seems to have reduced the apprenticeship starts by around 14 per cent.

One would expect to see these effects diminish with the passage of time. But there are more structural changes which appear to have been ushered in following the 2017 reforms. These are:

- a reduction in apprenticeship recruitment by non-Levy payers;
- an increased preference for employers for people working towards higher level apprenticeships;
- further shifts in the profile of the traditional apprentice.

There is indicative evidence that the requirement to contribute to the costs of Apprenticeship training can pose a problem and a disincentive to train apprentices. The statistical evidence demonstrates how, post-Levy, the number of non-levy payers (which for the most part are smaller employers) taking on apprentices had substantially dropped-off (see Figure 2). It is important to emphasise that this is related to paying the levy and not to employer size, for example, large non-levy payers reduced their apprenticeship numbers whilst small levy payers increased theirs. It is not clear why this should be the case, other than an accumulation of small but additional costs and changes to the apprenticeship programme. This might signal that there is a system effect whereby the means previously in place to encourage these employers to take on apprentices are no longer in place to the same degree.

Figure 2: Apprenticeship starts by employer size 2012/13-2018/19



The evidence points to an increased preference for employers to make use of higher level apprenticeships. Some employers indicated that this is simply the direction of travel within their sectors – i.e. the increased demand for people with higher level skills which Apprenticeships are now able to deliver. By and large these are relatively costly ones to both employers and the State. The funding bands for Level 4+ Apprenticeships tend to be substantially higher on average than those at Level 2 or 3 (though not in every case). If employers are persuaded of the merits of investing more in higher level Apprenticeships, because this is where they obtain the highest returns, then this will bring about an increased economic gain to the employer but, with fixed resources, it will potentially reduce the overall number of apprentices.

In line with the shift towards an increasing number of people working towards higher level Apprenticeships there is also a further drift away from what might be considered the traditional profile of an apprentice. Traditionally an apprenticeship might have been regarded as means to effect the school to work transition with young people gaining formative skills at Levels 2 or 3. Given that the introduction of the Levy increases the employers financial investment in Apprenticeships this seems to have stimulated their preference to use it to train existing staff often at a relatively high level, sometimes through converting existing provision to apprenticeships in order to maximise the spend of their Levy pot. Employers clearly see the economic benefits of using Apprenticeships to deliver higher level skills to their existing employees. As existing employees they may well feel more confident about retaining and thereby recouping their training investment.

The evidence points towards the Levy (in combination with the other reforms) bringing about behavioural changes by employers. It would appear to have incentivised (or perhaps, accelerated) employers' investments in higher levels skills (often delivered to existing employees which might reduce the level of risk attached to the investment). The benefit, potentially, is that of more higher levels skills being produced which benefits the employer and in aggregate the State. The cost, potentially, is a lower number of apprentices being trained

because employers are constrained in the number of apprentices they can train, and the State has finite resources to expend of apprenticeship funding. The Levy has, perhaps, led to more fundamental questions being asked about the purpose of Apprenticeships in England and the individuals it prioritises for training. And related to this, if eventually, the demand for apprenticeships from individuals outstrips their supply from employers, what alternatives are available.

Responses to the pandemic

The pandemic has affected the number of apprenticeships starts (see Table 1).

Table 1: The change in apprenticeship starts resulting from the pandemic: 2019/20 Q2 and 2020/21 Q2 compared

Apprenticeship	Fall in apprenticeships likely to be as a result of the pandemic
Under 19	32
19-24	15
25+	5
19+	8
Intermediate Apprenticeship	26
Advanced Apprenticeship	18
Higher Apprenticeship	5
Total	14

Source: DfE Apprenticeship Statistics; own calculations

In addition to how the changes introduced to the Apprenticeship system, the pandemic has also had an impact on employer behaviour. The key findings from the research indicate the way in which:

- employers persevered with apprenticeships through delaying completion which in turn...
- ... reduced the capacity to take on the next cohort of apprentices which was in turn..
- ... further affected by uncertainties attached to the speed of any recovery.

The research was undertaken at a time when the pandemic was still severely limiting economic activity. Since then there has been relatively rapid growth followed by a slowing of growth. The Apprenticeship Levy might well reduce the level of any further fall in apprenticeship starts simply as a consequence of employers looking to reclaim their Levy contribution (though that contribution is likely to have fallen given the fall in the payroll of some companies).

The pandemic has also highlighted some of the inflexibilities around apprenticeships. Rapidly expanding sectors due to COVID-19, such as food retail, recruited large numbers of staff new to the sector, but were unable to use apprenticeships to train them because: many of the roles

were part-time; off-the-job training necessitate backfilling staff; and a lack of funding for additional apprentice support around maths and English.

In general, the impact of the pandemic is largely seen as transitional, albeit it one which may particularly disadvantage a specific cohort of would-be apprentices. Research undertaken by Cedefop which looked at those jobs which most likely to be adversely affected by social distancing rules were those in relatively less skilled jobs. In other words, those which would require skills at around Level 2. This may be a purely transitional impact which will disappear as COVID-19 becomes more controlled. On the other hand it might presage changes which might otherwise have taken place albeit over a longer time frame.

Implications of the findings

- The skills and training system is adaptive. It responds relatively quickly to employer demand.
- It would also appear to be reasonably resilient – given the calamitous drop in output during the pandemic the fall in apprenticeship starts – whilst substantial - was relatively modest in comparison.
- How do you support ‘partially lost cohorts’ where the economy dips steeply? In just under 15 years there have been two sharp shocks to the UK economy, so it might be expected that there will be future ones. T-level type approaches might be the solution here – they have worked well in the Netherlands.
- If apprenticeships becoming increasingly higher level ones, what are the vocational options for those looking for provision at Level 2 and 3?
- If apprenticeships increasingly become the preserve of large levy payers, how can smaller non-levy payers’ VET be supported?
- How can apprenticeships be more flexible and responsive to meet the needs of different occupations and sectors, underrepresented groups, and smaller and new to apprenticeship employers?