

2019 survey on the UK Apprenticeship Levy

The Forum conducted its second annual flash survey on the Levy in March 2019. The primary purpose was to provide a reliable benchmark for Forum members and survey respondents. The findings will also be shared with the Department for Business, Energy & Industrial Strategy (BEIS), the Sector Deal Team of the Government's Professional & Business Services Council (PBSC) and other interested parties.

KEY FINDINGS

- Apprenticeships are seen as taking longer than necessary.
- Despite the Institute of Apprenticeships and Technical Education (IOA) having materially improved its performance, the Levy system remains unpopular with 42% (45%) of the firms that pay the Levy not receiving anything back, and only 39% of Levy payments expected to be utilised by the two-year expiry date.
- Although the Levy has resulted in a massive increase in the numbers of Levels 5 to 7 apprentices at sector firms, it would appear that much of this is labelling 'trainees' as 'apprentices'.
- Projections for future growth in apprentices are relatively low, other than for Level 4 apprentices due perhaps to social mobility considerations. Projections are heavily dependent on external factors, in particular the number of vacancies to be filled (84%) and the availability of suitable people (82%).
- Growth projections are also impacted by Levy rules and the costs of apprenticeship schemes according to 78% and 73% of firms respectively. Apprentice numbers would be boosted if the rules were simplified.
- 60% of firms say that the Levy has complicated learning & development (L&D); 32% that it has displaced budget away from the most needed L&D; 28% that it has made professional development less attractive due to the label of 'apprentice'; and 24% that it has increased the cost of training.
- Compared with the fully experienced workers that they are training to become, the average percentages of a fully experienced worker's usual tasks that an apprentice is expected to carry out during year 1 is less than 50% for 65% of apprentices.
- Over the next 12 months, 95% of apprentices in client-facing roles are expected to receive a salary increase (100% of those in administrative roles) and 28% of those in client facing roles to receive a promotion (53% of those in administrative roles).
- Six months after completing their apprenticeship, a higher percentage of apprentices at Levels 4 and above are still employed by their firms compared with pre-Levy.
- Despite boosting productivity not being cited as a main reason for employing apprentices, 35% of apprentices are reported as being more productive during their apprenticeship, rising to 44% following successful completion.

DETAILED FINDINGS

Length: Apprenticeships are seen as taking longer than necessary.

Average length of apprenticeships in months	Now	Ideal	Variance
Levels 2 to 3 (GCSE A*-C to A level)	22.3	20.3	-2.0
Level 4 (foundation degree)	28.2	24.5	-3.7
Levels 5 to 7 (degree/ honours degree/ postgraduate degree)	46.4	38.8	-7.6

Levy utilisation: 98% (2018 - 88%) of survey respondents pay the Apprenticeship Levy, but only 62% (58%) have applied for funding, with 9% intending to apply for funding in the future. 29% have no

current intention to apply for funding. 39% of Levy payments are expected to be utilised by the two-year expiry date (this is expected to increase to 50% next year). Levy payments have been transferred to other business partners by 16% of firms, with 11% in discussion about receiving Levy payments from others.

Growth: The Levy has resulted in an explosion in the number of apprentices, especially at Levels 5 to 7. Firms indicated that simplified Levy rules would lead to more apprentices at all Levels – *see also verbatim comments later*. The largest increases are projected for Level 4 apprentices, possibly due to social mobility considerations:

Number of apprentices	Pre-Levy	Now	Increase on Pre-Levy	Projected (current rules)	Increase on Now	Projected (simplified rules)	Increase on Now
Levels 2 to 3	2.1	5.4	164%	6.3	16%	8.0	46%
Level 4	1.2	2.1	83%	4.3	100%	5.2	144%
Levels 5 to 7	1.6	11.1	598%	12.8	16%	16.2	46%

Retention: The percentage of apprentices at Levels 5 to 7 that complete their training has reduced since the Levy was introduced, but increased for other Levels. Six months after completing their apprenticeship, a higher percentage of apprentices at Levels 4 and above are still employed by their firms compared with pre-Levy:

Completion of apprenticeship	Pre-Levy	Now	Variance
Levels 2 to 3	84%	91%	8%
Level 4	74%	79%	5%
Levels 5 to 7	98%	90%	-8%

Retention six months post apprenticeship	Pre-Levy	Now	Variance
Levels 2 to 3	85%	83%	-2%
Level 4	91%	95%	4%
Levels 5 to 7	92%	95%	3%

Qualifications: The percentage of apprentices created from the current workforce has increased at all levels since the Levy was introduced – although for Levels 5 to 7 this is most likely as a result of labelling ‘trainees’ as ‘apprentices’ given graduate-only entry schemes have been common at sector firms for many years. The vast majority of apprentices are studying for pre-existing qualifications, with Level 4 most likely to involve a new qualification.

% from current workforce	Pre-Levy	Now	Variance
Levels 2 to 3	9%	24%	15%
Level 4	1%	4%	3%
Levels 5 to 7	0%	62%	62%

% pre-existing qualifications	All of them	Some of them	None of them
Levels 2 to 3	40%	52%	8%
Level 4	8%	50%	42%
Levels 5 to 7	35%	52%	13%

Investment and reward: Compared with the fully experienced workers that they are training to become, the average percentages of a fully experienced worker’s usual tasks that an apprentice is expected to carry out during year 1 is less than 50% for 65% of apprentices. Over the next 12 months, 95% of apprentices in client-facing roles are expected to receive a salary increase (100% of those in administrative roles) and 28% of those in client facing roles to receive a promotion (53% of those in administrative roles).

Productivity: Although boosting productivity was not cited as a main reason for employing apprentices, 35% of apprentices are seen as more productive during their apprenticeship, rising to 44% following successful completion:

Level of productivity	During the apprenticeship	Following successful completion of the apprenticeship
Significantly more productive (over 10% more)	10%	19%
Slightly more productive (1-10% more)	25%	25%
Around the same	40%	56%
Slightly less productive (1-10% less)	20%	0%
Significantly less productive (over 10% less)	5%	0%

Top five reasons for employing apprentices	
Incentivise us to look at apprenticeships as a new recruitment and development option	51%
Enhance our reputation as an employer	42%
Diversify the workforce	38%
Demonstrate commitment to employee development	38%
Make us adopt a longer-term approach to consider the business skills needs	33%

Impact of the Levy: The Levy has neither resulted in changes to the amount spent on L&D for around 70% of firms, nor to informal approaches to developing new talent for around 80% of firms. 60% say that the Levy has complicated L&D; 32% that it has displaced budget away from the L&D that is most needed; 28% that it has made professional development less attractive due to the label of apprentice; and 24% that it has increased the cost of training.

Institute of Apprenticeships: The perceived performance of the IOA has materially improved since 2018, with the mean overall rating increasing from 3.6 to 2.6:

Objectives (per IOA website)	2019	2018	Variance
Quality assuring the delivery of apprenticeship end-point assessments	2.1	3.4	1.3
Ensuring that all end-point assessments are quality assured	2.1	2.9	0.8
Developing and maintaining quality criteria for the approval of apprenticeship standards and assessment plans	2.7	3.5	0.8
Supporting the development of standards and assessment plans by employer groups	2.9	3.7	0.7
Advising on the maximum amount of government funding that can be drawn down by employers for individual apprenticeship standards	2.9	4.1	1.2
Publishing approved standards and assessment plans	3.1	4.3	1.2
Mean overall rating	2.6	3.6	1.0

Legend: 2 = good; 3 = neither good nor poor; 4 = poor

Policy considerations: Projected growth in the average number of apprentices employed is mainly dependent on external factors, in particular the number of vacancies (84%) and the availability of

suitable people (82%). Levy rules and apprenticeship scheme costs are cited by 78% and 73% of firms respectively:

<i>Factors impacting future growth in apprentices</i>	Highly dependent	Somewhat dependent	Highly + somewhat dependent
Level of vacancies for roles suitable for apprentices	42%	42%	84%
Availability of suitable people to employ as apprentices	38%	44%	82%
The rules governing the use of the Apprenticeship Levy	42%	36%	78%
The cost of running an apprenticeship scheme	24%	49%	73%
The level of client demand for the firm's services	29%	38%	67%
The stage of the economic cycle	27%	31%	58%
Internal attitudes towards apprentices	16%	31%	47%
Political uncertainty	11%	33%	44%

Respondents were also asked for the ONE policy intervention that Government could make to encourage more sector firms to employ more apprentices. These are their verbatim responses:

- Simplify the rules around using the levy fund to train existing employees
- Cover some of the employment costs
- Make it more simple
- Better define 20% training element
- Make it easier to understand how to use the money - we are all time poor - it is too easy to leave in the "too hard" pile
- Remove the 20% study time requirement
- For small firms in particular it is time consuming to research regulations, training providers, assessment providers etc. More education and support would help.
- 1) Let part (let's say 50%) of wage cost be also funded from the Apprenticeship Levy 2) 100% of the level 6/7 to be funded from the Apprenticeship Levy, which does not seem to be the case now 3) Shorter programs (6 month to 12 months) for skills augmentation
- Give longer time to use 'pot' until suitable apprenticeships are available
- Less complicated framework.
- Reduce the 20% weekly training commitment; that is proving a real barrier to creating additional apprentices
- Better funding with more realistic caps. Improve awareness in schools around the opportunities that apprenticeships provide, particularly in professional services.
- Allow more flex on the use of the levy funding. The biggest single issue that stops us implementing more apprentices and publicising what's available to students is resource. Let firms use the levy to fund salary for people solely engaged in apprentice activity or to fund advertising for apprenticeships.
- Simplify the process - it's too complicated.
- The cost implication of covering apprentices for full time work (100%) even though they work 80% on the job and 20% off the job.
- Allow more institutions to enrol non-levy payers onto apprenticeship schemes
- Make more specialist Apprenticeships available aligned to professions
- The enrolment process for apprentices is arduous and acts as a distraction and not necessarily helpful. Accountancy apprenticeships do not truly add as much value as you would like because the qualifications were already so well structured before.
- Remove the requirement for existing staff with decades of experience having to go through the Maths & English extra courses/exams if they cannot find their certificates. Remove the specific 20% requirement for existing staff entering into qualification by apprenticeship route.

- Simplify the process and provide more flexibility in the standards so that we can deliver the skills we need
- Flexibility on 20% off the job training and increased clarity on what can be included
- Simplify the payment schemes so employers didn't lose their levy fees because there wasn't relevant apprenticeships developed in time. Allow some of the Levy fees to be used for genuine learning and development which would positively impact their business.
- Make it more user friendly. Do not understand how it works.
- To use some of the apprenticeship levy towards paying the apprentice's salary and benefits.
- Focus on the training providers. From previous experience, the training providers have been unsure of the training to be given to apprentices and been confused about the criteria in training schemes. The providers need to be clear on what is expected for apprentices so as to provide an effective development platform. There have been too many drop-outs as a result of ineffective teaching and unclear criteria.
- Simplify!
- Requiring apprentices to have 20% off the job time for training is a significant amount, particularly for higher level roles where the impact of that person being away from the business for one day a week is so great. We are therefore finding it difficult to support employees through higher level apprenticeships because we are unable to manage the impact of them being out of the business for 20% of the time.
- A broader range of apprenticeship standards and qualifications. Also, an easier way for employers to research and review apprenticeship training providers.
- To be able to use the levy as a percentage of the salary of the apprentice
- Make the whole process simple
- Further support and make it simpler particularly for small firms/organisations to run apprentice schemes
- make clearer expectations required of employers - set targets around number of apprentices v total workforce for UK employers.
- Make the overall process clearer to understand and provide more guidance
- You need to ensure that people looking for apprenticeships actually want to do the role. More often than not the younger generation come through the education system unsure of what they want to do, they might give an apprenticeship a chance but little conviction to achieve can quite often be seen in the workplace. Look at the way we educate the younger generation.
- Promote the apprenticeship to educate businesses
- They need to provide an equal platform for apprenticeship standards across all of the UK. Allowing all of our employees to have the same opportunities regardless of derestriction e.g. Scotland.
- Increasing flexibility in relation to use of the levy funding. For example, incentivising increased apprentice recruitment if organisations can subsidise a proportion of apprentice salary and the staff required to recruit and manage apprentices via the levy funding.
- Make the system simpler and easier
- Make the process simpler
- Making it easier to use the levy and to train people internally
- Clearer guidance for employers
- I don't think the government needs to do any more. In my opinion there needs to be more apprentice education providers able to provide high quality apprenticeship programmes geared towards the legal sector.
- As we are based in Scotland, our Apprenticeship regime is quite different. We pay the same levy but have no ability to draw it back against our apprenticeship training costs. We have looked at the apprenticeship schemes offered through Skills Development Scotland and have applied for scheme places, but found the bureaucracy in working with SDS to be a complete waste of time

and effort on our part. We therefore treat the apprenticeship levy as a tax and continue to pay for our students to undertake the professional training schemes we choose, as before. We work with our apprentices individually to work out what suits them best, working up personal study plans rather than a one size fits all programme. All that has happened with the apprenticeship levy is that we have lost tens of thousands of pounds less from our budget for training people.

- If there is underspend: • Paid back to employers to spend as part of other skills-based training programmes they might have in order to widen access to/diversity of organisational talent pools. • Used by employers to support the provision of careers education and guidance

Survey demographics

The 2019 survey had almost identical demographics to 2018 (prior year data in brackets).

- *Survey*: 47 (53) responses had been received from named contacts at named firms when the survey closed on 19 March 2019 - 32% (42%) have headcount of less than 250; 23% (15%) have headcount between 500 and 1,000; and 44% (43%) are larger firms. The Forum does not publish a list of participating firms.
- *Apprentices*: 76% (77%) of responding firms currently employ apprentices with 20% (17%) interested in doing so and only 4% (6%) not interested.
- *Firms*: 53% (56%) of the firms are law firms, followed by accountancy and property sectors with 17% (17%) each, and consultancy at 10% (13%). As regards footprint, global firms constitute 32% (40%), followed by national firms 30% (23%), London firms with 17% (15%), and regional firms 15% (21%).
- *Respondents*: 57% (50%) are based in London and 43% (50%) elsewhere in the UK. 40% (25%) are HR managers or equivalent specialist roles; 33% (52%) are firmwide leaders; and 27% (23%) C-Suite or divisional leaders.