



FLEX WITHOUT COMPROMISE

Preserving Apprenticeships
for Young People Under
a Growth and Skills Levy

September 2024

By Holly Papworth
Sorah Gluck

BACKGROUND

In March 2024, Edge convened a group of experts across the education and skills policy sector to consider whether and how a flexible apprenticeship and skills levy might be designed, including levers external to the levy, to minimise the impact on the apprenticeship offer in England.

Debates covered the need and appetite to flex the levy amongst businesses; the potential risks of reform and the winners and losers, and the practical, cost-effective steps a Government could take in reforming the Apprenticeship Levy to avoid compromising opportunities for younger apprentices and at lower levels.

Supplementing these discussions, we held a series of interviews with stakeholders and experts to gather deeper perspectives.

It is these conversations, as well as our own, desk-based research, that helped inform our conclusions and recommendations in this report.

About the Authors

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CONTENTS

Background	2
Contents	3
Foreword	5
Executive Summary	6
Introduction	9
Apprenticeships: Fuelling Growth for Industry and Young People	9
Rocket-Boosting Apprenticeships? Introducing the Levy	11
The Winners and Losers	11
Worth the Price Tag?	12
It's Big Business	12
Sector by Sector	13
What's My Age Again?	14
Levelling Down	15
The Opportunity Gap	16
Timeline of the Apprenticeship Levy	17
A Way Forward? The Growth and Skills Levy	18
Key Considerations for the Growth and Skills Levy	19
1. Finding Purpose	19
2. Transparency	20
3. Apprenticeships: Growing, Growing, Gone?	21
4. What about SMEs?	22
5. Deadweight Costs	23
6. Is the Appetite for Reform Really There?	24
Options for Reform: A Flexible Compromise	25
A. Beyond the Levy	25
i) Open Up Apprenticeship Opportunities in SMEs	25
ii) Address Employers' Concerns about Taking on Younger Apprentices	27
iii) Start Shifting Cultural Attitudes Towards Training	28

iv) Cut Costs for Training Providers	29
v) See Through Reforms to End Point Assessments	29
vi) Improve the advertising and application process for prospective apprentices	29
vii) Promote Apprentice Wages	31
viii) Reconsider the Structure of Apprenticeships to Better Suit Different Sectors and Learners	31
ix) Raise the Quality and Support Around Off-the-Job Training	32
x) Address the Functional Skills Requirement	32
xi) Make Mentoring a Standardised Entitlement for Apprentices	33
B. Within the Levy	34
i) Limit the Scope of Non-Apprenticeship Skills Training that Qualifies for Funding under the Levy (via Skills England):	34
ii) Limit the Scope of Non-Apprenticeship Skills Training that Qualifies for Funding to Pre-Apprenticeship (or Apprenticeship-Related) Training (via Skills England):	35
iii) Adjust the Proportions of the Levy Flexibilities to Minimise Spending on Non-Apprenticeship Skills Training:	36
iv) Ringfence a Portion of the Levy for Certain Ages, Levels, and/or Sectors	36
v) Adjust the Subsidy for Training	37
vi) Extend the Levy to More Businesses	37
vii) Other Options	37
Conclusion	38
Acknowledgements	39
References	40

FOREWORD

By Professor Lord Richard Layard



At 15, our young people perform better than those in France and Germany, but by 25, all too many of them are way behind. So, it is after school that our skills problem arises. That is when we fail so many of our young people who do not go to university.

The problem is a rationing of places. This is hugely inefficient because the social returns to apprenticeship training are extremely high. It is also deeply unfair that all academic youngsters with A-levels can expect to find a university place, while many who are qualified for an apprenticeship cannot find one.

That is why we need an Apprenticeship Guarantee that would ensure that every qualified applicant could find a place.

This isn't just about symbolism, action must follow – the case for which, as this report from the Edge Foundation urges, is now more important than ever. The Growth and Skills Levy could stifle opportunities for young people further still, by allowing businesses to divert their levy pot into other skills training. At the same time, it could hamper the Government's Opportunity Mission, especially the 'Youth Guarantee'.

This report from Edge presents the options at the Government's disposal, with a pragmatic way forward that is sympathetic to the concerns of businesses, understanding of the need to boost employer investment in skills training, but, crucially, places young people at the heart of apprenticeships policy.

EXECUTIVE SUMMARY

The Growth and Skills Levy, proposed by the new Government in response to widespread calls for reform of the Apprenticeship Levy and wider skills system, looks to offer businesses more flexibility in how levy funds can be used. But, the levy cannot be all things to all people. Just one of the lessons from the Apprenticeship Levy that we highlight in this report is the pressing need for the Government (and Skills England) to establish and clearly articulate exactly what they are hoping to achieve through the reforms, and what type of training will qualify for funding.

At Edge, our primary concern is that by allowing levy-payers to spend a to-be-determined portion of their pot on non-apprenticeship skills training, there is a risk of eroding the already dwindling apprenticeship opportunities, especially at lower levels, for young people.

The economic and social justice case for this Government to address the decline and, indeed, expand apprenticeship provision for 16 to 24-year-olds is exceptionally strong. Key to this will be SMEs: of those apprenticeships currently offered by smaller businesses, the vast majority are at Level 2 or Level 3. They are much more likely to take on younger people - school leavers - as apprentices and have a presence away from the big cities. However, under the planned changes to the levy, it's SMEs (and industries integral to the Government's Growth Mission), that potentially have the most to lose, if levy reform squeezes their funding and additional money isn't pledged.

We can also see challenges ahead for the achievement of the Government's Youth Guarantee Manifesto pledge - promising access to training, apprenticeships, or support to find work for all 18 to 21-year-olds - unless meaningful safeguards (outlined on the next page) are put in place.

At Edge, we believe there are levers left to pull that would make a substantial difference to employers' ability to use their levy and create more, lower-level opportunities for young people, before jumping to - or at least, in tandem with - flex of the levy. We must not forget that the apprenticeship system is there to serve young people as well as employers.



Options for Reform: A. Beyond the Levy

<p>Open Up Apprenticeship Opportunities in SMEs</p> <p><i>In addition to efforts to cut needless bureaucracy, SMEs need more support to navigate the complex landscape and understand their skills needs, so that they can reap the benefits apprenticeships have to offer their business.</i></p>	<p>Address Employers' Concerns about Taking on Younger Apprentices</p> <p><i>This Government should monitor the impact of the recent move to fully fund apprenticeship starts for young people in SMEs with a view to extending it to more businesses, as soon as public finances allow.</i></p>
<p>Start Shifting Cultural Attitudes Towards Training</p> <p><i>Alongside 'ambassador' programmes, the effectiveness of publicly-funded campaigns to promote apprenticeships should be continually monitored, evaluated and adapted in consultation with the employers (and young people) they are targeting.</i></p>	<p>Cut Costs for Training Providers</p> <p><i>The Government needs to look at the long-term financial sustainability of delivering apprenticeships under the current funding rates available for each apprenticeship standard.</i></p>
<p>Promote Apprentice Wages</p> <p><i>If we want to put apprenticeships on an even keel and make them a viable option for any young person, regardless of background, their wages need to increase to allow them to live independently, including the cost of commuting. Where employers pay their apprentices well – and the opportunities for pay progression – this must be better communicated to young people through CEIAG in schools and colleges.</i></p>	<p>Improve the Advertising and Application Process for Prospective Apprentices</p> <p><i>Until young people can see all apprenticeship opportunities advertised in one place and the application process is streamlined, there will always be a two-tier process for apprentices and university applicants, baked-in to the system. It is not beyond the realms of possibility to construct such a platform, in consultation with young people, prospective applicants, employers and training providers.</i></p>
<p>See Through Reforms to End Point Assessments</p> <p><i>We hope that the Government will review the findings from the ongoing EPA pilots and push ahead with reforms to EPA that show positive indications they will shift the dial for apprenticeship completions.</i></p>	<p>Reconsider the Structure of Apprenticeships to Better Suit Different Sectors and Learners</p> <p><i>One option that might work better from the perspective of apprentices and employers would be for the Government to look at piloting a more modularised apprenticeship structure, allowing apprentices to 'bank' learning as they go, with 'optional' modules tailored to employers' needs and/or learners' interests.</i></p>
<p>Make Mentoring a Standardised Entitlement for Apprentices</p> <p><i>Beyond some limited guidance around how mentoring 'could' be delivered, there is currently no standardised framework for delivering effective, high-quality mentoring or entitlement as an apprentice. With further research into what works, this could be introduced fairly rapidly by the DfE with IfATE/Skills England.</i></p>	<p>Address the Functional Skills Requirement</p> <p><i>Though we, at Edge, fully support the development of essential numeracy and literacy skills through apprenticeships, particularly as this may be important for progression up the apprenticeship levels and/or in work, the real problem lies with the suitability of the Functional Skills Qualification. This needs to be urgently looked at by the Government, in conjunction with the Curriculum and Assessment Review, particularly in the context of GCSE resits policy.</i></p>
<p>Raise the Quality and Support Around Off-the-Job Training</p> <p><i>An all-too-common barrier to apprenticeship completion, the quality of training provided requires significant improvement.</i></p>	

When it comes to the design of the Growth and Skills levy itself, we have identified a number of options for the Government to explore that could help protect apprenticeship opportunities for young people and at lower levels:

Options for Reform: B. Within the Levy	
<p>Limit the Scope of Non-Apprenticeship Skills Training that Qualifies for Funding under the Levy (via Skills England)</p> <p><i>Tight guardrails will need to be put in place by Skills England in determining the types of courses eligible for funding, in line with the Government's clearly articulated purpose(s) of the reforms and specified standards of quality, learner experience and outcomes.</i></p> <p><i>One key metric that we, at Edge, would want to see included in Skills England's determination of quality training courses is expansive rather than restrictive training, meaning learners develop new skills and knowledge to a standard recognised by the industry and so have a solid platform for progression.</i></p>	<p>Limit the Scope of Non-Apprenticeship Skills Training that Qualifies for Funding to Pre-Apprenticeship (or Apprenticeship-Related) Training (via Skills England)</p> <p><i>Though we await further detail, we urge the Government to learn the lessons from the previous traineeships programme, as well as successful existing pre-apprenticeship schemes, and consider how to incentivise businesses to offer them.</i></p>
<p>Adjust the Proportions of the Levy Flexibilities to Minimise Spending on Non-Apprenticeship Skills Training</p> <p><i>Proceeding with caution when it comes to setting the proportions of the Growth and Skills Levy seems like a sensible approach – how much employers can spend on non-apprenticeship skills training can always be increased, but it is harder to remove flexibilities from the system.</i></p>	<p>Ringfence a Portion of the Levy for Certain Ages, Levels, and/or Sectors</p> <p><i>Ringfencing a percentage of the levy so that employers could not solely invest their pot in more expensive, higher level apprenticeships and/or on existing, older employees could, potentially, be a powerful driver of employer behaviour. Such a policy, however, would inevitably lead to a reduction in Degree Apprenticeships, which have the potential to be an important driver for social mobility.</i></p>
<p>Adjust the Subsidy for Training</p> <p><i>There is some merit in an adjustable subsidy rate as a lever to prioritise apprenticeships for certain ages, levels or sector. At the same time, this could cause more confusion for employers and providers, and would need to be communicated carefully to avoid disengagement.</i></p>	<p>Extend the Levy to More Businesses</p> <p><i>Were the levy to be expanded, this report notes the importance of communicating the rationale and benefits to businesses. Furthermore, as the levy serves the whole of the UK, conversations would have to be had in consultation and collaboration with the devolved authorities, before any expansion is considered in the other home nations.</i></p>

INTRODUCTION

By Alice Gardner, CEO, The Edge Foundation



Apprenticeships: Fuelling Growth for Industry and Young People

Of all the training programmes on offer in England, few provide as much value for money in economic and social terms as apprenticeships. Designed with employer trailblazer groups, apprenticeship standards are high-quality, trusted by employers, deliver good returns and help meet skills shortages.

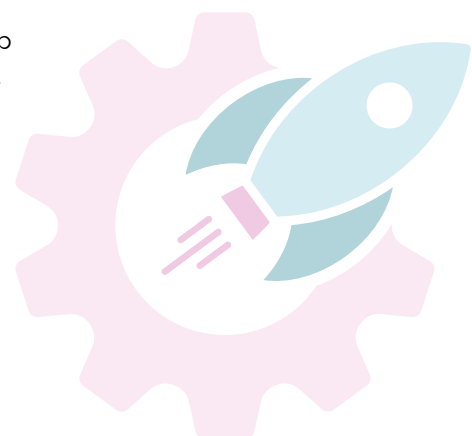
Done well, apprenticeships offer learners with support, structure and, crucially, pay. Apprentices gain industry knowledge, meaningful work experience, technical and employability skills and develop their own networks. In essence, they come as close as possible to fulfilling Edge's mission of making education relevant.

Perhaps unsurprisingly then, demand is increasing. According to **Youth Employment UK's** 2024 Youth Voice Census, sponsored by Edge, **56%** of young people are looking to apply for apprenticeships (up 11 percentage points from last year) and analysis from **UCAS** indicates this could hit half a million 18-year-olds by 2030 with population growth¹.

But demand is fast outstripping supply, despite – or even exacerbated by – policy efforts to cultivate growth, like the introduction of the Apprenticeship Levy. Calls for reform of the Levy and the wider apprenticeship and skills system have pushed Labour to announce more flexibility. Businesses will be able to spend a yet-to-be-determined portion of their pot on other skills training through the revised 'Growth and Skills Levy', with Skills England (set to be established over the next year) tasked with identifying eligible training courses.

Now in Government, ensuring this opened-up levy squares with other ambitions, like the Youth Guarantee, without hampering apprenticeship opportunities for young people and undoing progress on creating that demand, must be front-and-centre of policymakers and employers' minds, as we embark on this new chapter.

This report serves to highlight lessons from the Apprenticeship Levy and present the options available to the new Government to hopefully mitigate potential, unintended consequences of reform that could hinder, not promote, greater, high-quality vocational opportunities for young people.



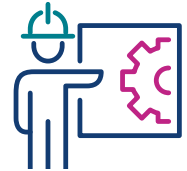
The benefits of apprenticeships

93%

of apprentices go on to secure employment or further study after completing their training

(DfE, 2024)

Over **three-quarters (77%)** of apprentices in sectors including engineering and construction are in **sustained employment** one year after completing their apprenticeship. This compares with **63%** of graduates in these sectors².



Against a challenging labour market, with increasingly high turnover especially amongst younger recruits, **62%** of apprentices **stay** with the employer that trained them on completion³.



2 in 5

apprentice employers believe completion leads to an increase in productivity

(DfE, 2024)



The **projected lifetime earnings** of a Level 3 apprentice are greater than those for whom A Levels are their highest qualification⁴.

As well as various financial incentives (including relief from NI contributions for apprentices under 25 and, more recently, fully funded training for apprentices under 22 in SMEs), apprentice employers enjoy **increased diversity and productivity, better staff morale and improved client satisfaction or product/service**⁵.



While apprenticeships are available for all ages and stages, they are especially valuable when targeted at **younger people**⁶.



621,000

adults aged 19+ participated in an apprenticeship in 2022/23. Apprenticeships made up more than **one third (35%)** of the total number of adults participating in all further education and skills training, that year⁷.

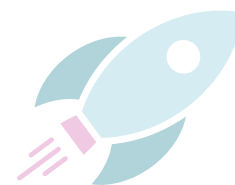
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Benefit : Cost

ratio of Level 3 apprenticeships for under 24s. This compares with 3:1 (present value of benefits : the public sector cost) for those aged 24+

(DfE, 2021)

ROCKET-BOOSTING APPRENTICESHIPS? INTRODUCING THE LEVY



Announced in 2015 by then Chancellor George Osborne, the Apprenticeship Levy was pitched as a “radical” approach to tackle underinvestment in skills training by employers and create 3 million apprenticeships⁸.

How does the levy work?

All UK businesses with an annual payroll of **over £3 million** pay **0.5%** of their payroll bill into a digital fund (topped by a **10%** monthly government contribution). They can then draw on this fund to pay the costs of hiring and training apprentices.

Under the ‘use it or lose it’ system, if employers do not spend the value of their levy contributions within two years, unspent funds are returned to the Treasury.

This money is meant to be used to pay for apprenticeship training for smaller employers (who pay just **5%** of the cost of training, or **0%** for apprentices under 22) and for any additional payments needed to support apprentices, training providers and employers.

For those who can't use their whole pot, the levy transfer system allows levy-payers to pledge **up to 50%** of their levy funds to other smaller businesses to support them to invest in apprenticeship programmes.

Currently, levy funds can't be used to pay apprentice wages, for ‘top-up’ qualifications, or qualifications that are not already approved as part of the apprenticeship.

The Winners and Losers

Safe to say, the Apprenticeship Levy has faced considerable scrutiny since its inception, with calls for reform getting increasingly louder in the face of falling apprenticeship starts, a growing underspend and widespread **skills shortages**⁹. As with any policy, there are winners and losers. But the Apprenticeship Levy has been plagued with challenges, and certainly hasn't been achieving what might have been hoped. **What can the new Government learn from the old levy?**

Since before the levy's introduction, total apprenticeship starts have fallen by

32% ↓

(analysis of DfE Statistics)

Worth the Price Tag?



“Firms that offer apprenticeships can get more back than they put in.”

George Osborne, Summer Budget 2015

Though the overall annual apprenticeship budget has increased by **more than £500m** since its inception, at the same time, the underspend has been rising. A 2023 report from **City & Guilds** and **the 5% Club** revealed that levy-paying employers are using **an average of 55.5%** of available funds and **a mere 4%** have used their full levy funding in the last five years¹⁰. In the **2022/23** financial year, **nearly £2.2 billion (15%** of the total budget) was returned to the Treasury. Ultimately, levy payers are paying in, but not necessarily harnessing the potential returns (see Figure 1).

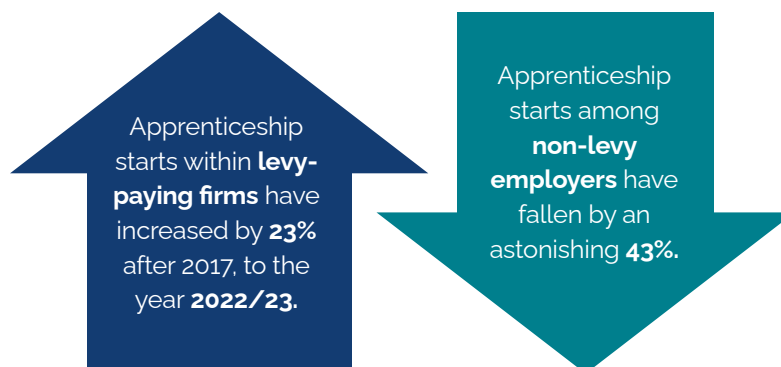
Figure 1. Apprenticeship Funding Returned to Treasury

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Totals
Budget	£2,010m	£2,231m	£2,469m	£2,467m	£2,466m	£2,554m	£14,197m
Spend	£1,586m	£1,738m	£1,919m	£1,863m	£2,455m	£2,458m	£12,019m
Returned £	£424m	£493m	£550m	£604m	£11m	£96m	£2,178m
Returned %	21%	22%	22%	24%	0.4%	4%	15%

Source: FE Week, 26 September 2023

It's Big Business

The barriers specific to smaller businesses taking on apprenticeships have been well documented. However, before the levy was introduced, apprenticeships in SMEs made up the **majority (54%)** of total starts. Yet, by 2021/2 (the latest available data), this **declined to 40%**, with levy-payers making up a bigger piece of the pie¹¹.



Economist **Professor Lord Richard Layard** puts some of this sharp decline in SME apprenticeship opportunities down to **“a lack of clarity in the way in which the non-levy paying sector was meant to be operating”** under the levy¹². Whilst the stake that levy-payers have in the system is, arguably, fairly transparent and automatic (particularly so through the digital accounts), it's not quite the same for smaller enterprises.

The **Federation of Small Businesses (FSB)** have warned that a “dual apprenticeship system” for larger and smaller businesses has been created under the levy¹³. They told us that the under-representation of SMEs in the IfATE Trailblazer groups (responsible for identifying the knowledge, skills and behaviours to underpin

occupational standards) has been particularly detrimental to their engagement¹⁴.

This matters enormously, more so in the context of the Government's Opportunity Mission; of those apprenticeships offered by smaller businesses, the vast majority are at Level 2 or Level 3. They are much more likely to take on younger people – school leavers – as apprentices and have a presence away from the big cities.

92%
of all apprenticeships offered by smaller businesses in England are held by 16 to 24-year-olds.
(Federation of Small Businesses, 2019)

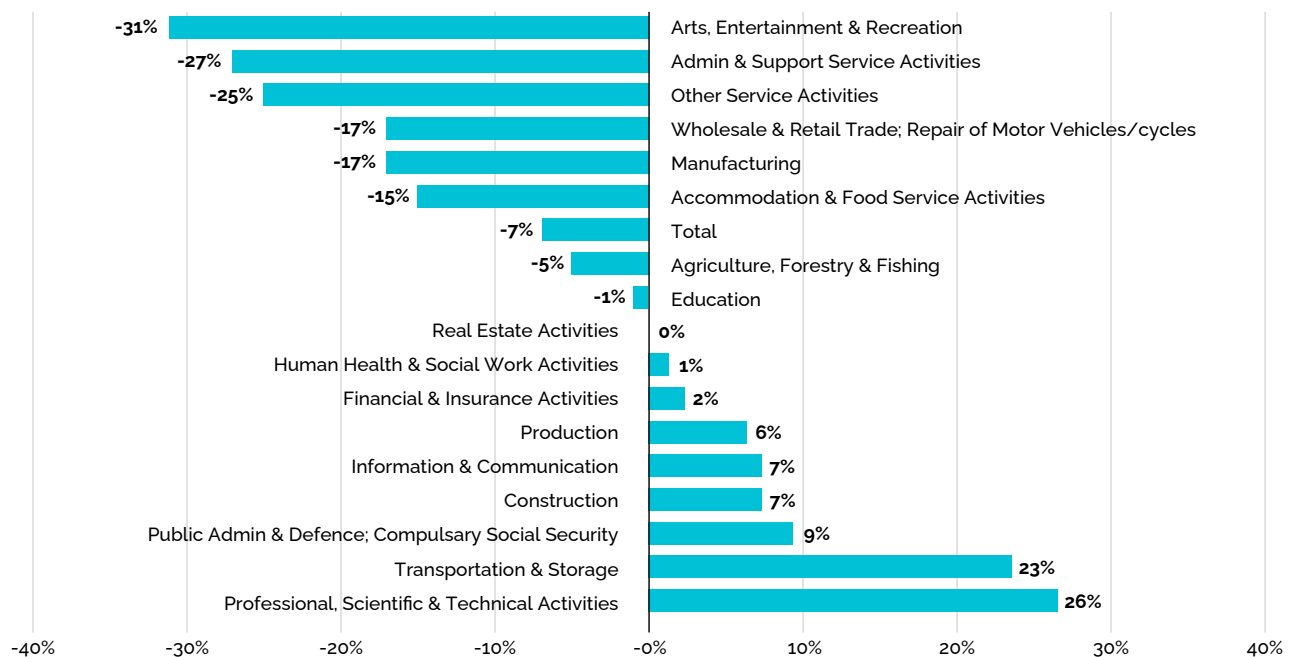
Sector by Sector

This mismatch is also seen within individual sectors, who all have a different relationship with the levy (see Figure 2). The construction industry, for example, is dominated by SMEs and, as a result, **less than a third (30%)** of starts there in 2021/22 were funded through the levy¹⁵.

The health and social care industry represents **almost a quarter (23%)** of all starts in 2021/22¹⁶. Meanwhile, the creative sector – which has sometimes struggled with the 12-month minimum period of an apprenticeship standard – finds its starts **down 31%** on 2017/18.

It's the industries fuelled by apprenticeship starts, particularly in SMEs, that potentially have the most to lose, if reform to the levy squeezes their funding. With estimates suggesting 251,200 extra construction workers will be needed by 2028 to meet the sector's growth in house-building, infrastructure and repair/maintenance, the Government's own Growth Mission could be compromised without careful thought about how to maintain and grow apprenticeship numbers under the new levy.

Figure 2. Change in starts by industry, 2017/18 to 2021/22



Source: Apprenticeships by industry characteristics, DfE Statistics, August 2024

A Spotlight on IT and Engineering Sectors

In July 2024, recognising the urgent need to upskill the domestic workforce, Home Secretary Yvette Cooper MP tasked the Migratory Advisory Committee with reviewing two sectors that significantly rely on international recruitment: IT and engineering. Stakeholders in both these sectors have recognised the need to develop young talent to address these shortages.

A 2024 report by tech-specialist training provider **Baltic Apprenticeships** expressed concerns about falling apprenticeships starts in the sector. Level 3 Software starts **declined by 54%** in the past five years – particularly concerning because **“young, entry-level software talent is key to future-proofing the UK’s tech industry”**¹⁷. Meanwhile, the number of providers delivering this standard has also dropped significantly.

Director of Public Affairs **Joanna Wake** told us that the lack of opportunities across tech means **“our applicants looking for a Software Development Apprenticeship stand a 1.2% chance of getting one. We ourselves have had to make the difficult decision to cease delivery in 2025 due to lack of employer opportunities.”** She highlighted that there is also the need to train developers with expertise in high-demand areas like AI, data, and cloud computing – likely to worsen [existing skills shortages](#) for years to come.

It’s a similar story for engineering. Apprenticeship starts in Engineering and Manufacturing Technologies have **fallen by 34%** since 2014/15, and their apprentices are getting older¹⁸. This, **EngineeringUK** warns, **“could spell problems for engineering in the years ahead, due to the changing age profile of the profession as a whole”** as younger people are choosing to opt for non-engineering roles.

What’s My Age Again?

“

It is to our national shame that we are almost the only advanced country in the world where the skills of our 16 to 24-year-olds are no better than our 55 to 64-year-olds.”

George Osborne, Summer Budget 2015

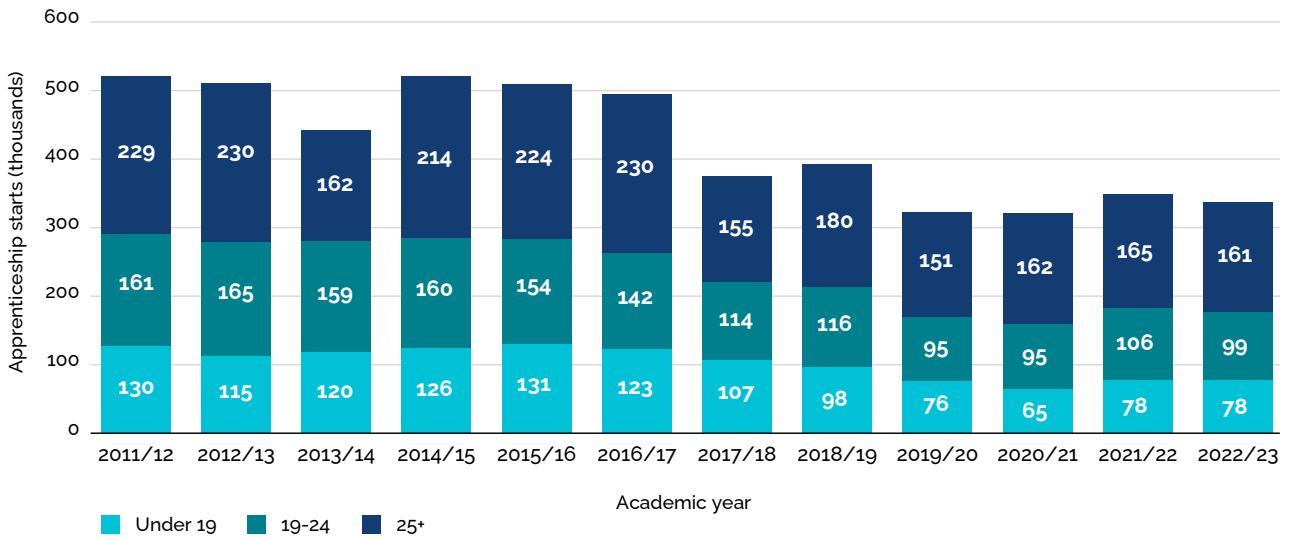
Since 2016/17, the number of under-19s starting an apprenticeship has declined by

37% ↓

(analysis of DfE Statistics)

Under-24s are taking up an increasingly smaller proportion of overall apprenticeship starts, while the number of over-25s starting an apprenticeship has crept up, now making up **nearly 1/2** of all starts (see Figure 3)¹⁹.

Figure 3. Apprenticeship starts in England by age. 2011/12 to 2022/23, *Thousands*



Source: Apprenticeships by industry characteristics, DfE Statistics, August 2024

The economic case for this Government to address this decline and, indeed, expand apprenticeship provision for 16 to 24-year-olds is exceptionally strong. There is a higher benefit-to-cost ratio among this younger age group²⁰ and, PwC analysis suggests that integrating the staggering **872,000** 16 to 24-year-olds not in education, employment or training (NEET) (according to the latest available data²¹) into the workforce could **boost UK GDP by 1%**²².

However, our primary concern, shared by many, is that by opening up the levy, there is a risk of eroding apprenticeship opportunities for young people further still, and achievement of the Government's Youth Guarantee ambition could be made harder. This is explored in more detail in the next Chapter.

Levelling Down

The declining number of young people starting an apprenticeship is mirrored by the decline in starts at lower levels²³, and this is more pronounced amongst levy-paying employers²⁴. Meanwhile, spending on higher level apprenticeships **rose by 431%** between 2016/17 and 2021/22, and they now account for a significant portion of the apprenticeship budget: **22%** in 2021/22 up from **3%** in 2016/17²⁵.

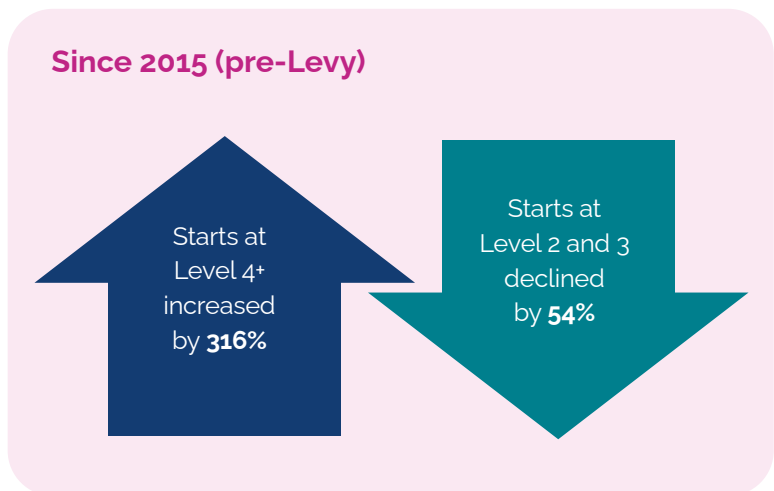
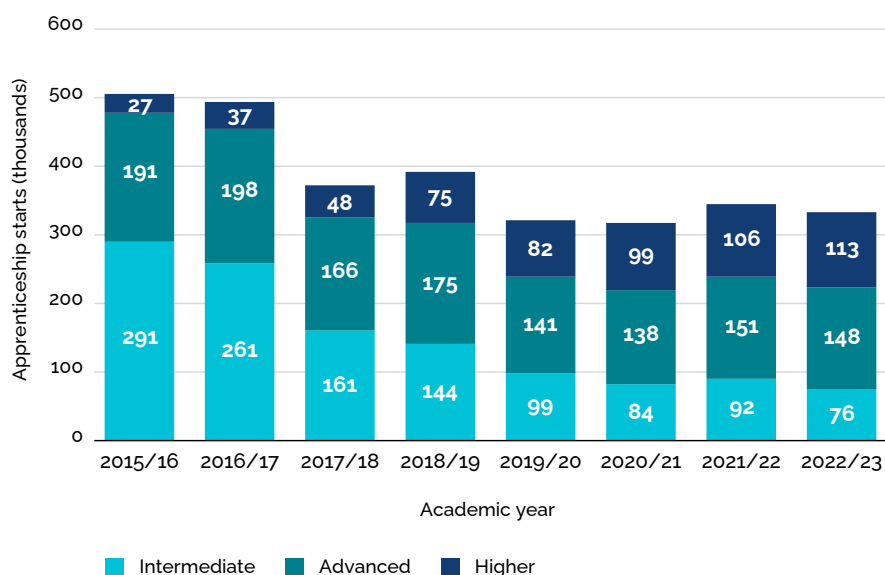


Figure 4. Apprenticeship starts in England by level. 2015/16 to 2022/23, *Thousands*



Source: Apprenticeships by industry characteristics, DfE Statistics, August 2024

While there is a tendency to see higher level training as optimal, lower level apprenticeships provide a vital entry point for new starters: it's hard to climb a ladder without any rungs at the bottom.

Besides that, it is in the interest of the Government's Growth Mission to target its efforts at Level 2 opportunities. The **Centre for Progressive Policy** calculates that a **1 percentage point** rise in the share of the working age population with Level 2 skills increases productivity by **£0.24/hour**. At Levels 3+, this boost is felt to lesser extent, worth **£0.16/hour**²⁶.

The Opportunity Gap

Considerable progress has been made over the last decade to transform attitudes around vocational pathways. Our polling of 2,000 adults published earlier this year revealed that **72%** wanted their children to do an apprenticeship – second only (by just **7 percentage points**) to A Levels²⁷. And, **Youth Employment UK's** Youth Voice Census 2024 finds that **56%** of young people are looking to apply for an apprenticeship.

As we've seen, however, places are being taken by older age groups, especially at higher levels – over-25s made up **68%** of all high-level starts in 2022/23²⁸. Degree apprentices also tend to be from higher socio-economic backgrounds, while **over two-thirds (68%)** of apprentices over 25 were already working for their employer²⁹.

The lack of opportunities available has put a stopper to uptake, particularly amongst young people. A **UCAS** survey found that **3 in 5 (61%)** apprenticeship applicants at Level 3 and above did not pursue an apprenticeship because they could not find one in their preferred location³⁰.

The number of under-25s applying for apprenticeships exceeded the number of places available by

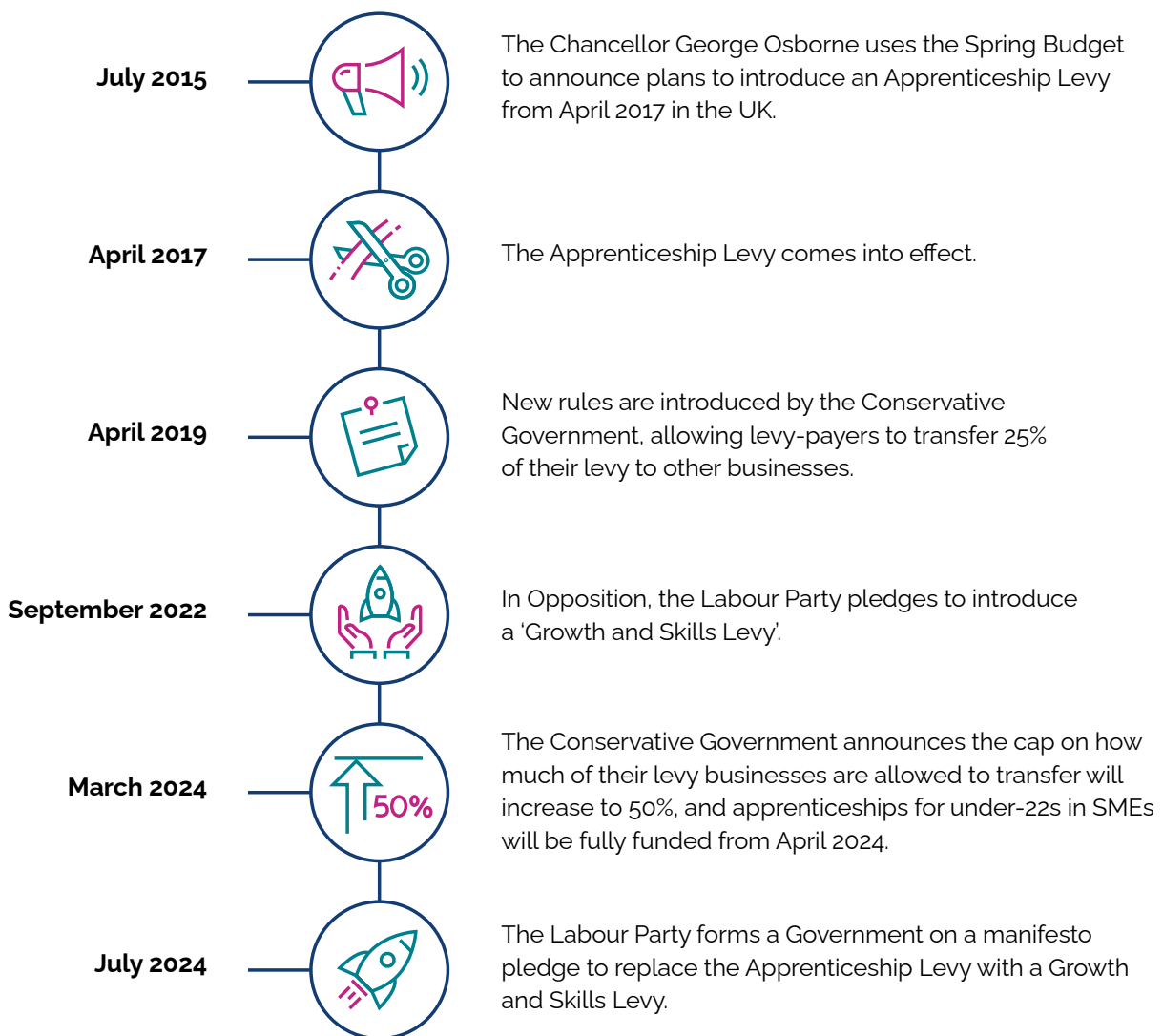
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(Apprenticeship vacancies: demand and supply, DfE, 2021)

For businesses too, "being able to find local providers with relevant courses" is a significant challenge – cited in the **CBI's** Education and Skills Survey 2022 as the most useful intervention to make the apprenticeship system more effective³¹.

Without better alignment between prospective apprentices (in schools and colleges), businesses and training providers, the apprenticeship opportunity gap will only widen, hitting young people the hardest.

Timeline of the Apprenticeship Levy



A WAY FORWARD? THE GROWTH AND SKILLS LEVY



“I want to deliver an age of opportunity in this country, and that means securing a new era of vocational training for our young people. We will do that by reviewing the curriculum and closing any qualification gaps so that kids have a better choice of vocational pipelines. And we will simplify taxes on employers that fund apprenticeship training to open up routes that get young people into good, skilled jobs.”

Education Secretary, Bridget Phillipson MP, The Sun, August 2024

Despite tweaks and changes (see the Timeline P17), policymakers have not been able to shake off employers' concerns, particularly around the suitability of the levy and the apprenticeship model itself in meeting their skills needs.

According to **City & Guilds'** research, of those businesses with unused levy funds in the last 5 years, **94%** report facing **at least one barrier** to accessing it³². And, as **Robert West**, Head of Education & Skills at the **CBI**, told us, **“apprenticeships are a solution, but they're not the solution”** to the skills challenges for some employers. Skills needs are not static, so flexibility to adapt to different training programmes from year to year has been popular.

97%

of levy-paying businesses believe that the levy needs reform

(City & Guilds and The 5% Club report, January 2023)

Incentivised by the 'use it or lose it' approach – and being able to see funds in their online accounts – some levy payers' attitudes have shifted to think more about “how do I spend my levy?”, rather than “how do I address my skills training needs?”. In turn, we have seen other professional qualifications 're-badged' as apprenticeship standards, shoehorned into qualifying for funding³³. At a meeting of the Edge Policy Network, **Professor Dame Alison Wolf** [argued](#) perhaps it was time to remove these individual accounts entirely. **Tom Richmond**, former DfE advisor and founder of the **EDSK** think tank, went further and recommended funding should be centralised into two pots – the National Apprenticeship Fund and the National Skills Fund – to address this challenge³⁴.

Rather than scrapping the levy altogether, **4 in 10** businesses (**43%**) say that they would prefer to shift towards a 50:50 model, whereby half of the levy is ringfenced for apprenticeships and the other half is more flexible - allowing businesses to spend their funds on other skills training^{35b}. This has found particular support among large businesses, including trade bodies like the **British Retail Consortium** and **Tech UK**, and it was this proposal that was adopted by the Labour Party in Opposition.

The Growth and Skills Levy: What we know so far...

In 2022, whilst in Opposition, the Labour Party announced their intention to replace the Apprenticeship Levy with a Growth and Skills Levy. Originally, plans suggested employers would be able to spend up to 50% of their levy allocation on non-apprenticeship training, but this threshold was notably absent in their 2024 General Election manifesto.

A list of training courses that will be eligible for levy funding is to be decided by Skills England, once up and running. It is expected that this would include modular courses in industries identified in Local Skills Improvement Plans and traineeships.

Key Considerations for the Growth and Skills Levy

So, what are the key considerations for the Government when thinking about initial steps with the Growth and Skills Levy? What can we learn from the introduction of the Apprenticeship Levy and other policies?

1. Finding Purpose

Former Skills Minister **Robert Halfon** frequently credited the simplicity of 'the Ronseal Levy' – with apprenticeships solely eligible for levy funding³⁵.

However, even in its current form (and name), there is debate around the purpose of the Apprenticeship Levy amongst businesses and the education and training sector. In turn, questions are generated around who should benefit, at what level, how is the money actually spent?

On introduction, the levy was framed as a policy to boost employer investment in skills training and grow apprenticeship opportunities for young people. More recently, politicians have enlarged its role in addressing 'the free rider problem' and ensuring "human capital investment went into incremental training"³⁶.

Further confusion stemmed from its design as a tax on business and ownership of the levy contributions, particularly where businesses can see from their online accounts that they have not spent their full pot. That the levy was designed intentionally so that those who pay in wouldn't spend their full contribution, and that the underspend could be used to fund things like apprenticeships in SMEs, was not well understood by large or small businesses, leaving the latter somewhat confused or unaware about how they stand to benefit³⁷. Reflecting on her time at the Number 10 Policy Unit, **Professor Dame Alison Wolf** told the *Let's Go Further* podcast:

"What you mostly got at Number 10 was a combination of businesses lobbying to do whatever they want to with the money and Treasury going, 'this is a tax, get off our lawn.'"³⁸

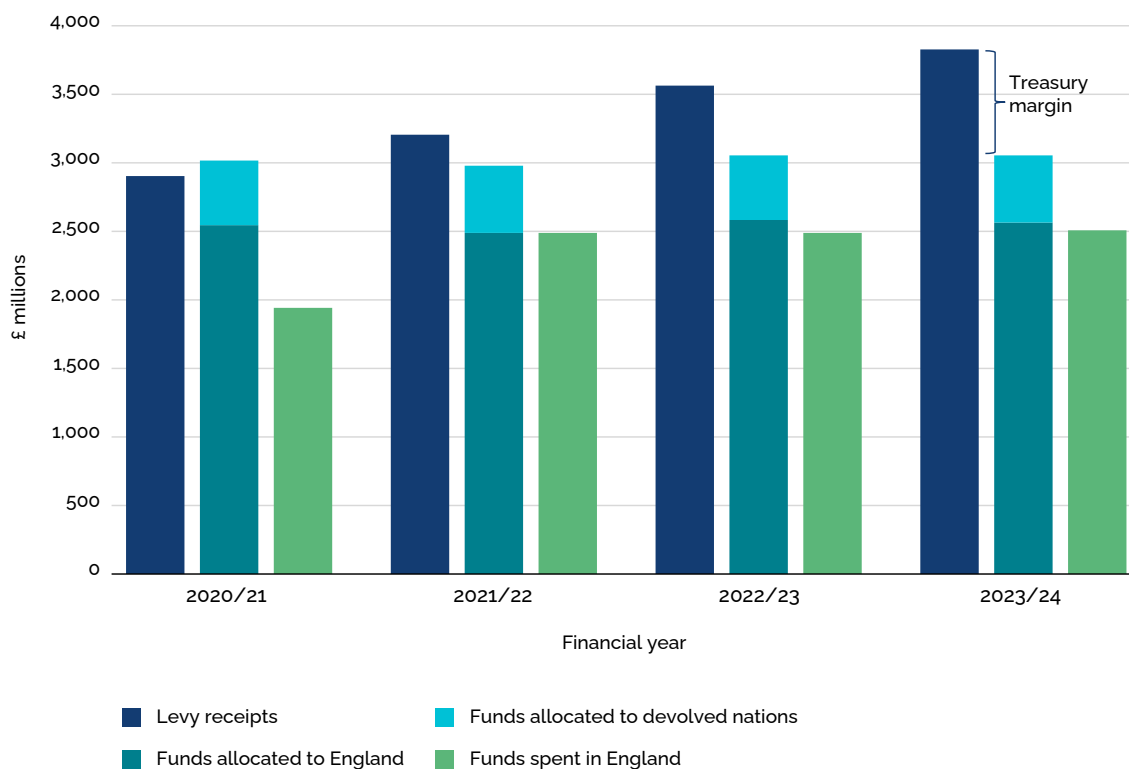
This clarity is needed quite urgently. Ultimately, the policy will reduce funding available for apprenticeships, unless matched. There is a risk of damage to the apprenticeship 'brand' and the prestige of the qualification if this policy is viewed (positively or not) as a shift towards other skills programmes, away from apprenticeships. Moreover, employers will want to plan their workforce training and recruitment budgets. If reform is on the horizon, they could well reduce certain budgets for skills training if they believe that the levy might fund those programmes.

The levy cannot be all things to all people. An important element of sector buy-in, effective development of the policy and accountability will depend on the Government establishing and clearly articulating what exactly it is they are hoping to achieve through the reformed Growth and Skills Levy, and what type of training qualifies for funding (through Skills England), as soon as possible.

2. Transparency

Before the funds raised through the levy are allocated to devolved nations and the DfE in England, a certain proportion of those receipts is retained by the Treasury in what is sometimes referred to as the 'Treasury margin' (see Figure 5)³⁹. One interviewee estimated that the Treasury margin would grow to **£835 million** by 2024/25. However, while this money may be being spent on apprenticeships or the wider skills system, it is not a hypothecated tax and the lack of transparency and accountability within the Treasury means that there is no evidence on where these funds actually land.

Figure 5. Apprenticeship Levy receipts, allocated and spent funding



Source: Based on calculations in the [IFS Green Budget Paper 9 Investment in training and Skills, 2023](#) and [Learning & Work Institute's Flex and match: a new Skills Levy for growth and opportunity, 2024](#), as well as data from [DfE's Annual Accounts 2024](#).

It is worth noting that this isn't an England-specific issue as concerns have been raised in other countries of the UK, like Northern Ireland, about where the portion of the levy (calculated through the Barnett formula) gets allocated.

We urgently need clarity on what happens to the portion of the levy retained by the Treasury. This would go some way to help build trust in the system and ensure that employers are not left feeling 'short-changed' by their contributions. The amount of levy funds allocated to the devolved nations, DfE, and retained by the Treasury should also be published annually as a first step towards rebuilding trust.

3. Apprenticeships: Growing, Growing, Gone?



"Labour will establish a youth guarantee of access to training, an apprenticeship, or support to find work for all 18- to 21-year-olds, to bring down the number of young people who are not learning or earning."

The Labour Party Manifesto 2024

At Edge, we are particularly concerned about the impact of a broader levy on the number of young people starting an apprenticeship and the availability of apprenticeships at lower levels, both of which have seen significant decline in recent years. Estimates from the DfE indicate that flexing the levy, without substantial increases to the apprenticeship budget, would only make matters worse⁴⁰. Assuming that the flexibility in the levy is used by employers on non-apprenticeship skills training, that would shrink the pot for levy-payers and non-levy payers (in terms of the funds returned to Treasury) available to spend on apprenticeships.



"If employers were able to use 25% of their levy funds for non-apprenticeships training, the department estimates that this would create an additional cost of up to approximately £700 million per annum. Allowing employers to use up to 50% of their funds for non-apprenticeship training would increase this cost to **up to £1.5 billion per annum**.

Without making additional funding available to support this flexible use of levy funds, the department estimates that this would require a significant reduction in new apprenticeship starts to approximately **140,000 per annum**. This is around a **60% decrease** on the 350,000 apprenticeship starts reported for the 2021/22 academic year."

Former Skills Minister, Robert Halfon, in answer to a written question from Simon Jupp, tabled on 7 November 2023

Of course, there is no guarantee that under a more flexible levy, employers would automatically reduce the amount they spend on apprenticeships, as the **Learning and Work Institute** has pointed out⁴¹.

However, as long as there are no safeguards in place to protect starts amongst younger people and address the challenges employers face in taking on younger apprentices, at the very least, this decline is likely to continue. This could spell problems for the delivery of Labour's Youth Guarantee, in which every 18 to 21-year-old has access to training, an apprenticeship, or support to find work, as it must account for these lost apprenticeship opportunities.

Why we need apprenticeships: filling vital skills gaps in the NHS

Part of the NHS Long Term Workforce Plan includes a commitment to triple the number of apprenticeships in healthcare by 2030.

Based on rough estimates of apprenticeships forecast, this is likely to cost upwards of **£1.3bn** by 2027. Adding an extra level of flexibility to spend these funds on other training, may hamper the efforts to expand apprenticeships. This is especially the case for clinical apprenticeships that are more costly to deliver as they require more off-the-job training. In turn, other levers may be necessary, such as extra funding, to incentivise NHS employers to spend their levy on apprenticeships.

With an ageing NHS workforce, recruiting younger apprentices could help with longer-term workforce planning and sustainability. However, the NHS tends to recruit apprentices from the existing workforce as this is viewed as less 'risky'. Additionally, in recent years, we've seen a fall in the number of school leavers applying to study to medicine at university – a **13% drop** since 2021, along with a **30% drop** in nursing applications since 2020. And, more recently, NHS England North East and Yorkshire have decided to cease delivery of its apprenticeship programme in 2025. A step change is urgently needed.

Progression routes for school leavers into the NHS need to be made clearer, with appropriate steps up the levels. This is a problem with T Levels in particular. Most standards offered in the NHS start at Level 5, which leaves a gap at Level 4, making it difficult to progress directly on from a Level 3 T Level. As one interviewee said with regards to T Level students, **"there's a mismatch between what's actually available and what the dream is that they're sold"**.

4. What about SMEs?



"Small businesses are important to the economy and to apprenticeships. This government will transform the skills system by developing a growth and skills levy so that opportunities, including apprenticeships, are available across the country and businesses of all sizes can meet their ambitions, fill their skills gaps and stimulate the economic growth that the country needs."

Children and Families Minister, Janet Daby MP, in answer to a written question from Sir John Hayes MP, tabled on 17 July 2024

Previously, the Labour Party had committed additional money for SMEs to cover the cost of levy flexibility⁴², but the fiscal plan accompanying the manifesto did not make any provisions, with only an assertion that: **“policies not listed here will be funded from existing budgets or do not have a cost”**.

Under the Growth and Skills Levy policy, there would be very little headroom to fund the training and assessment costs for SMEs. In a recent article for FE Week, **Dr Mandy Crawford Lee**, CEO of **University Vocational Awards Council (UVAC)**, wrote:

*“...In 2022/23 the apprenticeship levy raised **£3,580 million**. After expected transfers to the devolved nations, this left a total of **£2,972 million** for England. In 2022/23, **£2,458 million** was spent on apprenticeships. Do the simple maths (2,972 – 2,458) and you are left with **£514 million** of ‘spare’ funds for other training programmes.”⁴³*

With the latest DfE Annual Accounts revealing just **£17 million** of the apprenticeship budget went unspent in 2023/24, there is even less headroom to cover these costs⁴⁴.

Some interviewees suggested that this shortfall could, perhaps, be covered by the portion of the levy retained by the Treasury, estimated to be **c.£788 million**⁴⁵ 2023/24 (see Figure 5). Though we absolutely need clarity on where this money is going, this would still not be sufficient.

So, whilst there would be a powerful argument for increasing the DfE programme budget if the Government is to maintain its position that, **“If we’re successful in helping levy payers spend more of their levy, this will not reduce the budget set for SME apprenticeships”**, it is nonetheless a difficult one in the context of a purported £22 billion “black hole” in public finances.

5. Deadweight Costs

In such a tight fiscal environment, one pressing concern brought to the fore by the **Institute for Fiscal Studies (IFS)** is the risk of funding non-apprenticeship skills training through the levy, which might have been funded by employers in any case – deadweight costs⁴⁶. **Lord Layard** fears:

“It’s a complete racket. What businesses want is to be able to use the Apprenticeship Levy to pay for things which they currently pay for themselves. It’s an absolute outrage.”

Indeed, [Edge’s 2021 evaluation of the Train to Gain scheme](#), as part of our Learning from the Past series, identified similar concerns which contributed to the demise of the scheme. Our paper also noted the long-lasting impact on employers’ attitudes towards funding training themselves when a subsidy is introduced, but taken away by future governments.

However, given the decline we have now seen in employer investment in training since 2017, some interviewees told us they believe this risk could be overstated. The levy could be used to fill urgent skills gaps. For example, one national logistics company told the **CBI** that they would use the levy to fund more people through their bespoke, accredited HGV training programme which costs **£3,000-£3,300** per trainee and is up to four times quicker than completing the equivalent apprenticeship standard.

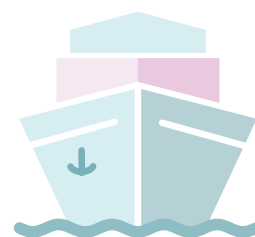
Tight guardrails will need to be put in place by Skills England in determining the types of courses eligible for funding, in line with the Government’s clearly articulated purpose(s) of the reforms and specified standards of quality, learner experience and outcomes. We don’t want to repeat the mistakes of past policies by funding training that would otherwise have been paid for privately by employers and could alter expectations around funding responsibilities for the long-term, particularly in such a challenging economic climate.

6. Is the Appetite for Reform Really There?

We know that employers want to see change. A recent **CBI** poll found that only **9%** of businesses think the apprenticeship system should stay as it is⁴⁷. But is a Growth and Skills Levy the solution for the challenges that employers are experiencing with the apprenticeship system? Is it really going to increase employer investment in skills training?

Asked, 'what would encourage organisations to spend more of their levy in future?', 'creating a broader levy to allow businesses to spend on other skills training' was *matched* by 'allowing businesses to spend on apprenticeship salaries' (**38%**). Removing bureaucracy was very close behind on **33%**⁴⁸.

For some employers, like those in the maritime industry, they have only just embarked on their journey offering apprenticeships. And it certainly feels like the tide of public and political opinion has only recently shifted to recognise the power of apprenticeships as a high-quality pathway into skilled employment. In this sense, reform of the levy must be 'smooth sailing' so that stakeholders – employers, schools, colleges, young people and their families – don't 'jump ship'⁴⁹.



At Edge, we believe there are levers left to pull that would make a substantial difference to employers' ability to use their levy and create more, lower-level opportunities for young people, before jumping to flex of the levy. We must not forget that the apprenticeship system is there to serve young people as well as employers.

So, alongside the planned levy reform, if not before, these changes must be explored by the Government, in collaboration with employers and young people, so as to make the transition to the Growth and Skills Levy as smooth as possible, without compromise to the apprenticeship offer. With all these considerations in mind, we can start to design a new system.



OPTIONS FOR REFORM: A FLEXIBLE COMPROMISE

A. Beyond the Levy



“[Starting with levy reform, it's like] they've got one arm behind their back, and they're going to be asked to do a totally new exercise for the first time. Actually, just let them do the old exercise, but with both arms, and they'll be much better doing that. And then they'll be better able to do the next exercise you set.”

Ben Rowland, CEO of AELP

In this Chapter, we centre on a few, connected challenges and possible solutions identified in our interviews that could make the system much more robust and improve the apprenticeship experience for young people and employers:

1. **Increasing the availability of apprenticeships by removing barriers for employers and providers:** Efforts to protect apprenticeships through design of the Growth and Skills Levy simply won't be sufficient to meet the demand for these opportunities, nor achieve a 'Youth Guarantee'. A consistent theme across our discussions with stakeholders is the need to get businesses, especially SMEs, to offer more apprenticeship places.
2. **Translating appetite into uptake (and then completion):** In addition to getting employers to buy in, we need to look at how to make young people more interested in starting an apprenticeship and, crucially, seeing it through to completion. In a recent DfE survey, **67%** of non-completers surveyed had dropped out within the first year⁵⁰.

These are clearly pressing issues that need to be addressed before – or, at least, in tandem with – levy reform.

i) Open Up Apprenticeship Opportunities in SMEs

Key to unlocking apprenticeship opportunities, especially for young people and at lower levels, will be to reverse the trend of declining apprenticeship participation within SMEs.

SMEs face particular barriers – and experience them more acutely than other employers – to offering apprenticeships. Analysis by the **Centre for Vocational Education Research** concludes that **“the strong decline in starts”** in SMEs after 2017 **“may be linked to a combination of adapting to the new funding system, the constraints on the pool of funding actually available for apprenticeship training and the ongoing switch from Apprenticeship Frameworks to Standards”**⁵¹.

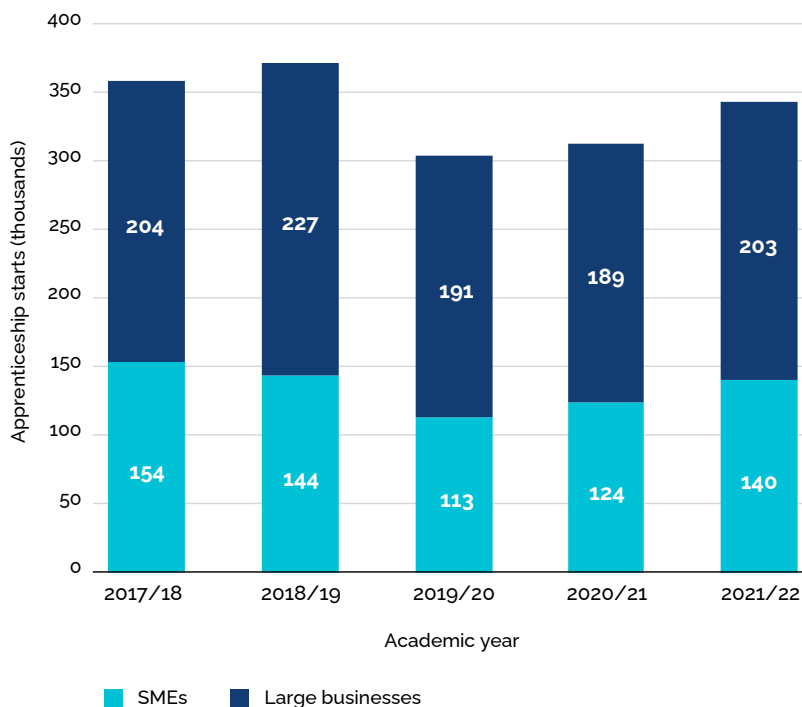
Towards the end of its administration, the previous Conservative Government made meaningful strides towards supporting SMEs with costs by removing the cap on how many apprentices they can hire and funding all training costs for apprentices who are aged between 16 and 21-years-old when they start. This latter step was strongly welcomed by Edge and our interviewees and should continue under the new Government.

Additionally, there are other financial incentives already in place for employers, such as waived National Insurance contributions for apprentices under 25, but we heard that awareness and, therefore, uptake, tends to be low.

Most interviewees, however, were in favour of additional financial subsidies from the Government, with some evidence that incentive payments for hiring apprentices can shift the dial. As Figure 6 shows, starts in **SMEs increased by 13%** between 2020/21 and 2021/22, possibly (or in part) a result of the **£3,000** incentive payment available to SMEs hiring an apprentice between October 2021 and March 2022⁵².

SMEs make up
61%
 of total employment in the UK
 (DBT Statistics, October 2023)

Figure 6. Apprenticeship starts in England by industry size 2017/18 to 2021/22, *Thousands*



Source: Apprenticeships by industry size, DfE Statistics, August 2024

Adapting to change – be that keeping on top of [the litany of cross-Departmental policy interventions targeted at boosting employer investment in training](#), including levy reform; seeking to identify skills gaps or understand future skills needs – is difficult even for large businesses who have whole teams dedicated to workforce planning and policy.



Ultimately, but in addition to efforts to cut needless bureaucracy, SMEs need more support to navigate the complex landscape, so that they can reap the benefits apprenticeships have to offer their business.

This can be provided very successfully at a local level. For example, the **Liverpool City Region** has established an Employer Brokerage Service, with trained advisors able to support businesses identify current and future skills needs and cut through the information and bureaucracy to identify the funding streams and suitable training providers⁵³. At a national level, we could look to Australia – where **Apprentice Connect Australia Providers** offer a free national service for apprentices and employers, including advice and guidance about different courses and funding streams available; matching apprentices with employers; handling the paperwork; offering pastoral care and support through to completion⁵⁴.

ii) Address Employers' Concerns about Taking on Younger Apprentices

Efforts to increase the number of young apprenticeships must consider businesses' concerns about hiring younger people.

For some, it's a question of keeping young people safe – or dealing with the associated bureaucracy. Chair of the **Maritime Skills Alliance, Iain Mackinnon**, told us that while many 16-year-olds are interested in joining the industry, employers can be hesitant to send them on high-risk sites, citing insurance concerns.

A representative from **NHS England** also told us that some employers would rather train older existing workers who already have some experience in health and social care rather than hire school leavers, because they perceive the 'risk of attrition' to be higher.

In other cases, it's a question of profitability. For example, one training provider told us that, in software, it is often cheaper to outsource development work abroad, rather than train domestically, although this further reduced the number of entry level opportunities in England.

The use-it-lose-it element of the levy can serve as an incentive for employers to upskill existing staff on more expensive, higher-level apprenticeships, rather than invest in creating new entry points for younger people. With this in mind, we need to consider how to make younger people attractive to employers concerned about their bottom line.

Though the previous Government positively moved to fully fund under-22 starts in SMEs, some interviewees feel this Government should go further and cover all 16-18 apprenticeships (regardless of a company's wage bill) outside of the levy, through the 16-19 education funding budget. This would bring the policy more in line with raising the participation age (RPA) and **Mark Corney**, Senior Policy Adviser at **Campaign for Learning**, has costed this at approximately **£300m/year**⁶⁵.

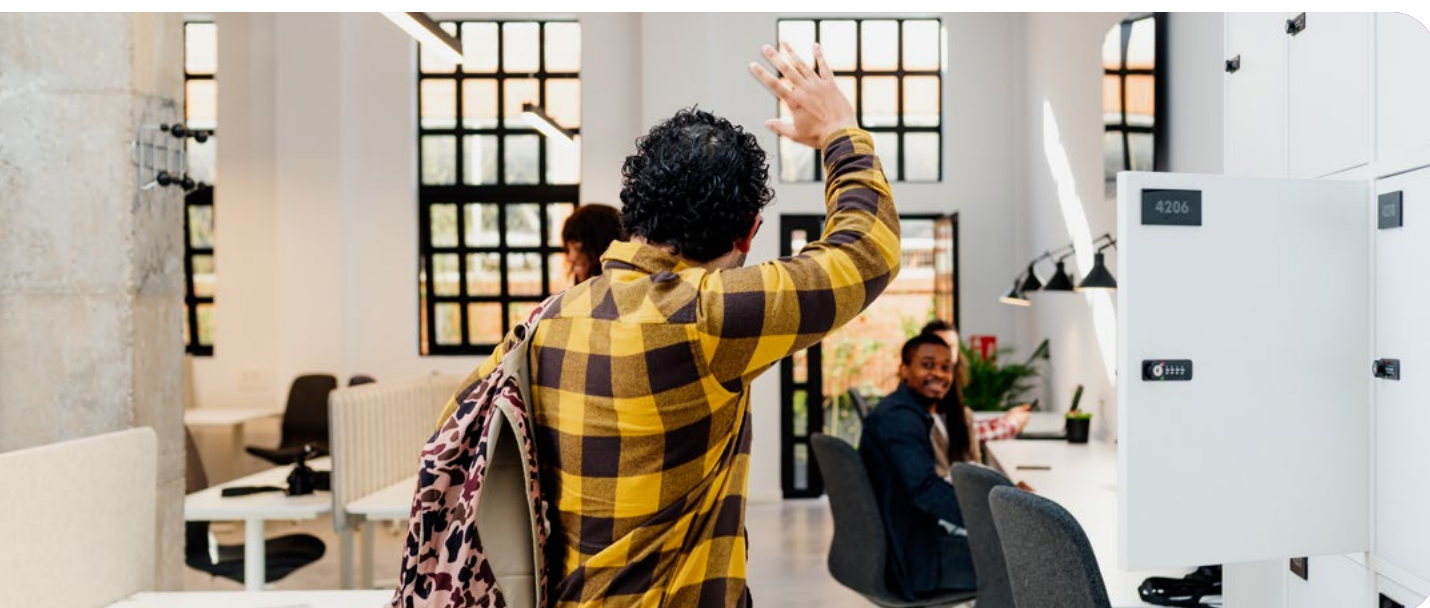
Though the economy is in a delicate state, this Government should monitor the impact of this policy on apprenticeship starts in SMEs with a view to extending it to more businesses, as soon as public finances allow.

iii) Start Shifting Cultural Attitudes Towards Training

Public attitudes towards apprenticeships (and vocational training more generally) have undergone a serious transformation in recent decades, as [our recent polling](#) shows. But some employers are still holding back from offering these opportunities for concerns that, for the most part, can be laid to rest.

For example, at an Edge [stakeholder workshop](#) in December 2023, participants felt that we have a deep-rooted "cultural problem" in this country when it comes to investing more in creating training opportunities, including apprenticeships. These engrained attitudes create a vicious cycle - businesses may be worried about training up an employee, only for them to move on. Unlike in some countries where there is a skilled workforce to fall back on, investment in training is seen as a business risk because there may not be a readily available pool of skilled talent to fill that position.

Unless we tackle these cultural attitudes towards investment in skills training head-on, they become a self-perpetuating cycle of underinvestment in skills training and apprenticeships.



Despite efforts and campaigns from IfATE and the DfE highlighting the numerous, diverse benefits and urging employers to take on more, younger apprentices, demand is still outstripping supply by some miles⁵⁶.

We need to up the ante. One suggestion that has gained some traction is **Lord Layard's** 'Apprenticeship Guarantee' – a pledge from Government that would ensure anyone interested in an apprenticeship is guaranteed a place, modelled on the Robbins Principle for higher education⁵⁷. Though the Government cannot create jobs, a specific 'Guarantee' signals meaningful direction of travel, with a clear, end-goal and it offers some much-needed longevity to skills policy.

As a first step, the Government's Youth Guarantee needs greater specificity whilst the Growth and Skills Levy is being developed, if it is to hold currency with the employers tasked with providing these opportunities.

Campaigns designed to shift employers' attitudes towards apprenticeships need to focus on the things that really matter to employers – specific to their concerns related to the size of the business and day-to-day challenges, their sector, local economy and workforce needs – and be convincing.

Alongside 'ambassador' programmes, the effectiveness of publicly-funded campaigns to promote apprenticeships should be continually monitored, evaluated and adapted in consultation with the employers (and young people) they are targeting.

As for the financial risk and administrative burden faced by businesses, that is where stronger incentives and tailored support, as suggested above, comes into play.

iv) Cut Costs for Training Providers

Many training providers report struggling with the limited funding available for each standard, particularly as this hasn't increased in line with inflation. As a result, the cost of training is often passed on to businesses or absorbed directly by the provider, impacting their ability to deliver high-cost apprenticeships (most in demand from employers).

The Government needs to look at the long-term financial sustainability of delivering apprenticeships under the current funding rates available for each apprenticeship standard.

v) See Through Reforms to End Point Assessments

The ongoing DfE pilots with expert apprenticeship training providers and employers, testing alternatives to the current end-point assessment (EPA) model, may well offer some positive learnings when it comes to reducing bureaucracy, costs and delays affecting completion rates.

We hope that the Government will review the findings from the pilot and push ahead with reforms to EPA that show positive indications they will shift the dial for apprenticeship completions.

vi) Improve the Advertising and Application Process for Prospective Apprentices

The journey through GCSEs → A Levels → University via UCAS is, for the most part, well understood by schools, teachers, parents, employers and young people. The same cannot be said for those young people applying for vocational pathways, like apprenticeships.

Applying for multiple apprenticeship opportunities can be burdensome and some opportunities, particularly where businesses are training existing staff, aren't advertised publicly at all.



The **Sutton Trust** and **UCAS** 'Where Next' report explored this in some detail, finding that whilst **90%** of placed university and college applicants had a 'positive' experience of applying, just half of apprentices reported the same about their experience. Concerningly, **1 in 3** apprentices from a lower socioeconomic background received no support with their application.

A lot can be done at a local level. Mayor Andy Burnham has the right ambition with the Manchester Baccalaureate (MBacc), seeking to improve the 'line of sight' into careers in Greater Manchester, especially for young people on technical qualification pathways. As part of the proposals, Greater Manchester's Apprenticeship and Careers Service (GMACS) will be enhanced, enabling young people to explore and apply for technical education options⁵⁸.

However, until young people can see all apprenticeship opportunities advertised in one place and the application process is streamlined, there will always be a two-tier process for apprentices and university applicants, baked-in to the system.

The Government's 'Find an Apprenticeship' service is a helpful starting point. And, UCAS have made great strides towards a 'one-stop shop' for apprenticeships and university degrees. In 2023, for the first time, UCAS users could see relevant apprenticeships listed alongside higher education courses. In 2024, some functionality was added to allow users to click-through to apply to apprenticeships. But we need to go much further.

Of course, employers will have their own criteria and requirements when it comes to reviewing apprenticeship applicants, and they will expect an advertising and application platform that brings them the best talent, without unnecessary bureaucracy. But it is not beyond the realms of possibility to construct such a platform, in consultation with young people, prospective applicants, employers and training providers, that advertises all vacancies and allows prospective apprentices to submit multiple applications, far more simply.

Not only would this have significant benefits for young people, especially from disadvantaged backgrounds, by lifting this unnecessary barrier to opportunity, but it could encourage schools and colleges to give apprenticeship applications the same priority and time currently afforded to UCAS university applications. A true, one-stop, managed apprenticeship application platform would also support more employers, particularly SMEs, to offer apprenticeships and find talent from a wider pool. It's a no-brainer – we just need to get on with it.

vii) Promote Apprenticeship Wages

One-quarter of former apprenticeship applicants surveyed by **UCAS** cited 'affordability' as one of the main reasons for not pursuing an apprenticeship⁵⁹. This was more commonly cited amongst those from lower socio-economic groups. In a recent survey of 2,500 young people by the **Youth Futures Foundation**, the low level of apprenticeship minimum wage was the most cited barrier to young people not participating in apprenticeships⁶⁰.

While most apprentices are paid more than the minimum Apprenticeship Rate, surveys consistently reveal that apprentices are often paid below the minimum wage, more so than other workers⁶¹. According to the **Low Pay Commission**, the 2023 median pay (ASHE) for an 18-year-old apprentice was **£7.72 per hour**, whilst for non-apprentices, it was **£10.45**.

It was, therefore, not surprising that [small businesses told us](#) that they are struggling to attract young people onto apprenticeships, even with the promise of progression, because they are competing with large supermarket chains who are able to offer school leavers better wages.

In the current market, with undergraduate degrees attracting student loans and entry-level jobs promising better hourly rates, if we want to put apprenticeships on an even keel and make them a viable option for any young person, regardless of background, their wages need to increase to allow them to live independently, covering living expenses and the cost of commuting. The Low Pay Commission has recommended that the apprenticeship rate should increase and that there is even a case to remove it all together⁶².

The many instances where employers pay their apprentices well – and the opportunities for pay progression – must be better communicated to young people through CEIAG in schools and colleges, so that we are proactively subverting any misconceptions about the earning potential of different pathways.

viii) Reconsider the Structure of Apprenticeships to Better Suit Different Sectors and Learners

There is some rigidity to the structure of an apprenticeship which means that some sectors report the qualification doesn't necessarily suit the nature of employment in that industry. For example, short-term contracts frequently offered in the arts and creative sectors don't easily align with the minimum 12-month apprenticeship.

The flexi-job apprenticeship scheme allows apprentices to be hired by an agency who then arranges short-term placements for them with various employers. Indeed, some have called for the scheme to be bolstered to better address this very challenge⁶³.

In a review of a pilot of the flexi-job apprenticeship scheme, **ScreenSkills** found that the scheme was successful in terms of increasing access to entry level roles for young people but was, overall, too inflexible and resource-heavy for most employers⁶⁴. Since being launched in 2022, the scheme has struggled to entice employers, with many citing concerns about confidentiality and expense⁶⁵.

It wouldn't be impossible to amend the flexi-job apprenticeship scheme, but one option that might also work better from the perspective of apprentices, would be to look at piloting a more modularised apprenticeship structure.

The model of apprenticeship standards, with a singular End Point Assessment (EPA) makes it an 'all-or-nothing' programme. Splitting apprenticeships up into modules or units of learning, as is the case in Finland, could allow learners to 'bank' learning as they go. This would mean that for those (too many) who do not reach the EPA, or experience delays, could have something to show for their training on the programme. Added 'optional' modules could also make an apprenticeship more reflective of a learners' interests or an employer's needs.

ix) Raise the Quality and Support Around Off-the-Job Training

In a 2021 DfE survey, the most common apprenticeship-related reasons for apprentices not completing were: a lack of time spent training; training not being of high quality, and the apprenticeship being badly run or organised⁶⁶.



While the requirement of six hours of off-the-job training per week is relatively modest compared to other countries, [there is evidence from our own research that even this isn't being delivered well](#). Only **68%** of Level 2 apprentices said they were aware of this requirement, **falling to 64%** of those who didn't complete their apprenticeship⁶⁷.

The **EDSK** think tank has argued that the quality of training provided requires significant improvement, citing concerns around oversight of training providers and calling for every apprentice to be offered a 'training curriculum'⁶⁸.

x) Address the Functional Skills Requirement

One element of apprenticeships that has attracted considerable attention, including from the cross-party APPG for Apprenticeships, is the Functional Skills requirement, which many interviewees told us is a barrier to completion for apprentices and/or proving largely irrelevant or unrelated to the needs of some employers.

Indeed, research from **AELP**, supported by Edge, published this year, found that the requirement for apprentices to pass Level 2 FSQs has hindered apprenticeship completion rates, in part to the lack of contextualisation in the exam questions⁶⁹.

Though we, at Edge, fully support the development of essential numeracy and literacy skills through apprenticeships, particularly as this may be important for progression up the apprenticeship levels and/or in work, the real problem lies with the suitability of the Functional Skills Qualification. This needs to be urgently looked at by the Government, in tandem with the Curriculum and Assessment Review, particularly in the context of GCSE resits policy.

English and maths: The Great Demotivator? The perspective of an early years provider

As part of this project we spoke to Gill Mason, Training Academy Director at **Kids Planet**, a main provider and employer in early years. She shared her frustrations with the English and maths requirement, describing it as a “demotivator”, especially for 16 to 19-year-olds, as it was too similar to “traditional” English and maths taught in schools:

“It isn’t functional. It’s GCSE. It’s just what they’ve just left and come away from. It absolutely is the main reason our staff leave and don’t achieve is maths and English. You could solve a lot of the problems in early years retention tomorrow by doing that.”

She also expressed concerns now that the requirement for Level 2 maths has been removed from the early years foundation stage (EYFS), many young people may choose not to enter the profession through an apprenticeship in order to avoid having to do maths.

xi) Make Mentoring a Standardised Entitlement for Apprentices

An often-overlooked element of a successful apprenticeship – and tool for encouraging completion and progression – is mentoring provision.

In Jersey, every apprentice is given a dedicated mentor to help guide them through the apprenticeship and develop their soft skills. This has had a significant impact on their retention rates, **rising from 60%** under the previous programme **to 96%** in 2023.

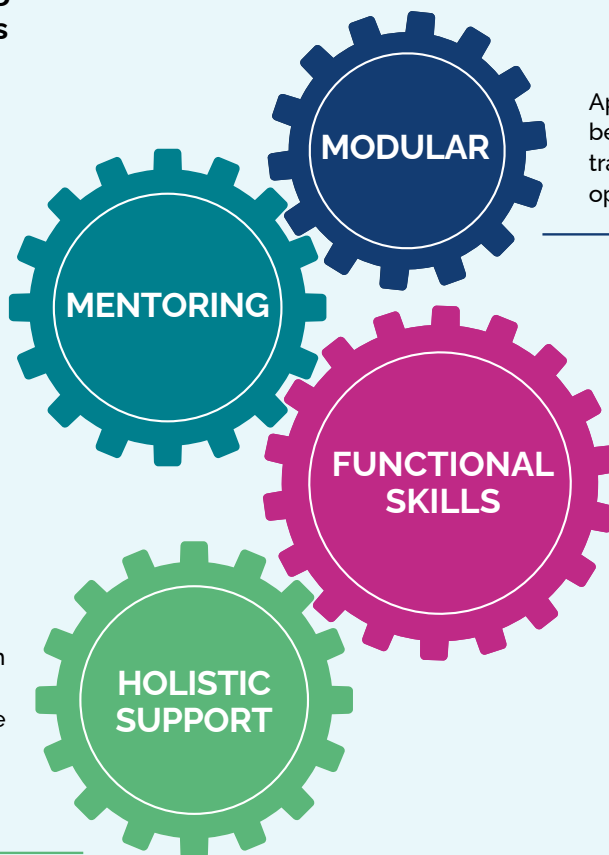
Our own, upcoming research will explore the value of having work-based mentors in in Degree Apprenticeships.

However, beyond some limited guidance around how mentoring ‘could’ be delivered, there is currently no standardised framework for delivering effective, high-quality mentoring or entitlement as an apprentice. With further research into what works, this could be introduced fairly rapidly by the DfE with IfATE.



Components of Edge's Model for Apprenticeships

Every apprentice should have access to a mentor to help guide them through the programme.



Apprenticeships should be split into modules of training, including some optional modules.

English and maths should be genuinely functional and applied to the job.

There should be strong communication between providers, apprentices, and employers to ensure that the programme is working well for all parties involved.

B. Within the Levy

If the Government pushes ahead with the Growth and Skills Levy, as anticipated, in addition to the key considerations already identified, there are a number of different options available to help mitigate the impact of broadening out the levy on apprenticeship starts, particularly for young people and at lower levels.

i) Limit the Scope of Non-Apprenticeship Skills Training that Qualifies for Funding under the Levy (via Skills England):

One way to minimise the potential for deadweight costs (and save costs) is to limit what training is eligible for funding through the Growth and Skills Levy.

The Government has confirmed that courses covered by the levy would need to be from an approved list of essential skills training and would not cover internal training, but we are yet to see what specific metrics of quality will be employed. Skills England have been tasked with defining those parameters.

There is a strong consensus that any non-apprenticeship training funded through the levy would have to be of high quality.

- For **AELP**, quality training must be on the job, guided with background explanation to the work (all of which are elements of an apprenticeship).
- The **Learning and Work Institute** suggest in their latest report that funding should be used on training programmes already approved under the Lifetime Skills Guarantee, those covering skills shortage sectors, and Functional Skills, with the list re-assessed annually⁷⁰.
- Modelling from **Public First** makes a good case for judging courses by return on investment, with Higher Technical Qualifications proving favourable⁷¹. On its own, return on investment would not necessarily capture wider social impacts, important to the Government's other missions, besides Growth.
- **One key metric that we, at Edge, would want to see included in Skills England's determination of quality training courses is *expansive rather than restrictive training* included in determining quality training courses, meaning learners develop new skills and knowledge to a standard recognised by the industry and so have a solid platform for progression.**

ii) Limit the Scope of Non-Apprenticeship Skills Training that Qualifies for Funding to Pre-Apprenticeship (or Apprenticeship-Related) Training (via Skills England):

This would conserve funding, with the aim of promoting routes into apprenticeships for young people. **Ben Rowland**, CEO of **AELP**, has argued that an on-ramp is crucial to allow learners to test out whether an apprenticeship is right for them, before committing to the full programme, which could have an impact on reducing the alarmingly high non-completion rates.

The Government has pledged to bring back **traineeships**, scrapped by the last Government in 2023 due to poor uptake, and allow employers to fund them through the Growth and Skills Levy.

To date, no plans to incentivise employers to offer traineeships (e.g. through ring-fencing of the levy or financial incentives) have been announced. This is significant because research from the **NFER** found that SMEs in particular had poor awareness and understanding of traineeships⁷². However, some employers do currently offer a number of highly effective pre-apprenticeship programmes developed specifically for their industry.

Co-op's 'Bridge to a Career in Legal Services'

The **Co-op Group** has partnered with the **Talent Foundry** to deliver a pre-apprenticeship programme, giving Year 13s from disadvantaged backgrounds bespoke training and coaching to prepare them for the apprenticeship application process for the Co-op Level 7 Solicitor Apprenticeship. Students take part in five workshops, hosted onsite at Co-op offices or virtually, learn directly from Co-op colleagues and current apprentices, as well as a masterclass with international headhunters **Odgers Berndtson**.

In addition, the **IFS** has pointed out that the amount of funding the Government appears to have set aside for traineeships does not match the amount spent under the previous programme and would instead be roughly equivalent to a single Functional Skills Qualification⁷³.

Though we await further detail, we urge the Government to learn the lessons from the previous traineeships programme, as well as successful existing pre-apprenticeship schemes, and consider how to incentivise businesses to offer them.

A [short paper](#) on these lessons has been made available on the Edge website.

Another element to consider funding through the levy is T Level industry placements, particularly as T Levels are based on the same standards and are an important pipeline into apprenticeships (T Level completers are twice as likely to start an apprenticeship as their peers⁷⁴). [Our 2024 research](#) revealed the impact of the challenges in securing industry placements on students' experiences, making a compelling case for swift action.

iii) Adjust the Proportions of the Levy Flexibilities to Minimise Spending on Non-Apprenticeship Skills Training:

Initially, the Labour Party was describing the Growth and Skills Levy in terms of a **50:50** - apprenticeship vs. other skills training - split, but the more recent language of "**up to 50%**" suggests they have listened to the uneasiness about such an arbitrary division.

Certainly, most interviewees were less comfortable with a 50:50 split, preferring a majority share for apprenticeships. **Policy Exchange** suggest ringfencing a larger portion of the levy (**75%**) for apprenticeships^{74b}.

Alternatively, employers could be required to 'earn' their flexible allowance by first spending a set proportion (e.g. **50%**) of their levy fund on apprenticeships. At the other extreme, some suggested that businesses should be free to choose for themselves how much of their levy to spend on apprenticeships.⁷⁵

Proceeding with caution when it comes to setting the proportions of the Growth and Skills Levy seems like a sensible approach – how much employers can spend on non-apprenticeship skills training can always be increased, but it is harder to remove flexibilities from the system.

iv) Ringfence a Portion of the Levy for Certain Ages, Levels, and/or Sectors

Referenced most in the context of safeguarding apprenticeships at lower levels and for younger people (for example, **Lord Layard** suggests limiting the apprenticeship proportion to apprenticeships at Level 3 and below, for under-21s), ringfencing a percentage of the levy so that employers could not solely invest their pot in more expensive, higher level apprenticeships and/or on existing, older employees could, potentially, be a powerful driver of employer behaviour.

Alternatively, outside the levy, the Government could limit the funding available to non-levy payers, SMEs, so that they would only be able to access funding for apprenticeships at lower levels and for under-25s, for example. Such a policy, however, would inevitably lead to a reduction in Degree Apprenticeships, which have the potential to be an important driver for social mobility, and many – including **Sir Michael Barber** – argue that they have been integral in improving the prestige of apprenticeships⁷⁶.

Mandy Crawford-Lee of **UVAC** warns that either approach to limit apprenticeships based on age or level would cause 'havoc' and undermine productivity, social mobility, and employer choice⁷⁷.

v) Adjust the Subsidy for Training

Rather than tweaking the proportions of the levy itself, the Government could adjust the rate it subsidises training, to reduce costs and shift the cost burden. Currently, the Government adds a **10%** top-up into levy accounts, effectively paying for **110%** of the training, whilst non-levy payers receive **95%** of training costs covered (now, with the exception of training costs for apprentices under 22 which are fully funded).

The **IFS** propose that all apprenticeships should be covered by a uniform, lower subsidy rate to create a more coherent and equitable system⁷⁸.

However, there is merit in an adjustable subsidy rate as it could be used to prioritise apprenticeships for certain ages, levels or sector. Prior to 2017, the subsidy rate for apprenticeships was set by age, covering **100%** of training costs for 16 to 18-year-olds; **50%** for 19 to 23-year-olds, and **40%** for those aged 24 and over. A higher subsidy rate could be available for younger apprentices, those at lower levels or in key shortage areas.

At the same time, this could cause more confusion for employers and providers, and is likely to be unpopular amongst large employers who feel they've already paid for training through their levy contributions.

vi) Extend the Levy to More Businesses

The **Association of Colleges** estimates that extending the levy to all UK businesses would raise **an extra £1.6bn**, which, according to the DfE's modelling, would cover the shortfall created by introducing **50%** flexibility to the levy.

This idea has been endorsed by influential policymakers, such as **Baroness Wolf**⁷⁹, and the **EDSK** think tank⁸⁰. According to education consultant **Tom Bewick**, this could resolve the so-called 'free rider' problem by encouraging all businesses to pay into the system that they benefit from.

Naturally, you would expect any extension of the levy to be unpopular amongst those who would find themselves having to pay a new tax. Were the levy to be expanded, we have learned from earlier chapters the importance of communicating the rationale and benefits to businesses. Furthermore, as the levy serves the whole of the UK, conversations would have to be had in consultation and collaboration with the devolved authorities, before any expansion is considered in the other home nations.

vii) Other Options

This is by no means an exhaustive list. Some other potential levers include:

- a. Limiting spend on non-apprenticeship training according to amount spent by employer on apprenticeships for young people (as proposed by the **Learning and Work Institute**).⁸¹
- b. Re-classifying levy funding, from departmental expenditure limits (RDEL) to annually managed expenditure (AME), so that funding is demand-led, recommended by the **NAO**.⁸²
- c. Using the Treasury margin to cover costs of non-apprenticeship skills training (although this is unlikely to be popular in the Treasury).

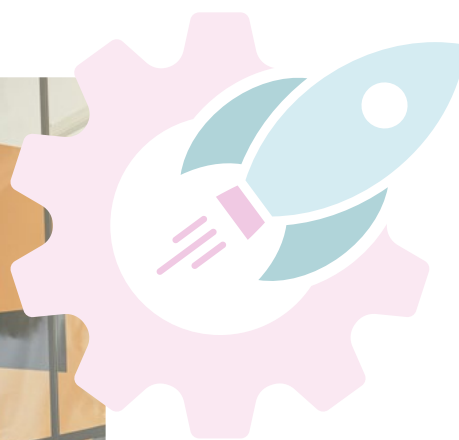
CONCLUSION

Neither levy-payers nor smaller employers were getting the most out of the Apprenticeship Levy and, consequentially, opportunities for young people, particularly at lower levels, suffered. We are pleased that the new Government is taking this seriously.

In these next, critical steps with the Growth and Skills Levy, there are many lessons the Government can take from the development and introduction of the Apprenticeship Levy: the need for a clearly defined purpose, clarity around large and small employers' stake in the system, greater transparency over funding arrangements and better cognisance of the learners at the heart of policy.

This report – and many before it – illustrates the importance of rocket-boosting the supply of apprenticeships for young people, including those all-important stepping stones at lower levels, in meeting our wider goals: social mobility, ending false divisions between 'academic' and 'vocational' pathways, tackling NEET rates, addressing the skills shortages that fuel our key industries and increasing productivity.

It is quite easy to listen to the loudest voices in the room, and jump to wholesale reform of the levy, whether the mandate is really there or not. But it is possible to flex the levy, without compromising opportunities for young people, and we have put forward a series of measures that could help shift the dial. We now urge this Government to hold true to its Opportunity Mission, and place young people front and centre.



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