

We need to talk about Apprenticeships

There has been a lot of talk about apprenticeships and what has gone wrong with them. Inherent in many of these arguments are misunderstandings, misinterpretations and myths. What follows is a reflection on some of those myths and what the reality is. But first, it might be helpful to consider the evolution of apprenticeships in England. Whilst some of the recent changes to apprenticeships apply across the UK, the funding mechanism varies significantly. The comments below refer to apprenticeships in England.

Traditional apprenticeships

Before recent changes were made, apprenticeships in the UK were a niche form of provision, typically for those aged between 16 and 24. Those at the younger end received fully funded positions and those at the older end of that window were half funded by government. Private providers undertook much of this training, alongside to a lesser extent FE Colleges. Apprenticeships covered areas such as bricklaying or plumbing and were offered at levels 1 and 2.

The current state of apprenticeships in England

The UK has long envied the German apprenticeships scheme viewing it as a reason for providing a valued and respected alternative to university for young people. This came into particular focus when HM Treasury found that it was unable or unwilling to afford the small number of traditional apprenticeships on offer in the UK. Treasury sought a solution by trying to force businesses to pay for them, thus alleviating the financial cost to government.

David Cameron's government introduced what they called the Apprenticeship Levy following the surprise general election win in 2015. Introduced in 2016, the levy would be payable by all companies in the UK with an annual salary bill in excess of £3m.

How the apprenticeship levy was sold to companies

Wanting to raise additional money from the corporate sector while trying to remain business-friendly, the government were keen not to introduce a new corporate 'tax' and they therefore needed to find a way to 'sell' the idea to business. So, to convince companies that this wasn't a tax they were told that the money they contributed would go into their own company 'pot' to be spent by them on apprenticeships. Any money not spent after two years would revert to the government to be spent on apprentices employed in non-levy paying firms.

Further, the companies would have a far greater say in what apprenticeships were offered, including the content and the level. Apprenticeships were to be 'employer led'. Businesses could decide what they needed to spend the money on to fill their much-publicised skills gaps.

A new definition of what constitutes an apprenticeship

At the same time as introducing the levy, and to facilitate this business choice, the definition of an apprenticeship was changed.

Under the new guidelines,

1. apprenticeships had to be designed by, or in collaboration with, business. There needed to be clear demand from employers.
2. There was a requirement for training outside of the workplace to be at least 20% of the apprentices' work.
3. And to ensure sufficient esteem to attract apprentices they needed to facilitate progression routes to further study.
4. It would be possible to enter current employees on apprenticeships.
5. And apprenticeships could go up to, and include, post-graduate degree level.

These were guidelines issued by government.

Myth 1 *There is an imminent overspend of levy funds - FALSE*

HM Treasury introduced the levy to fund what they could no longer afford, but by telling the companies that the money they were paying remained in a pot for their use didn't bring in the free money needed. It must have been the case that Treasury was banking on the belief that companies would not spend their entire 'pots'. In fact, Treasury couldn't afford for companies to pay anything like that much. So, the IfATE tell us that there isn't enough money.

But we also know that companies haven't spent anything like their full pots. In fact, the average is about 10% of their pots that are being spent at the moment.¹

A recent FOI request revealed that there has been an underspend of the total levy fund to the sum of £2bn in 2019.²

What's not clear is where this story of a deficit is coming from or why.

Myth 2 *The fall in Level 2 apprenticeships has been caused by the increase in degree apprenticeships - FALSE*

If Myth 1 is false, then Myth 2 is likely to be false because there is clearly more than sufficient money in the system for both to grow. If companies are underspending by 90% there can be no good reason for them to be reducing their level 2 apprenticeships.

Remembering that the changes were meant to put employers in the driving seat, they are much more likely to spend their money in areas where they have the greatest need.

If we take say the NHS as an example, they pay amongst the largest levy of all employers, because of the size of the workforce. But how many 'traditional' apprentices (plumbers, bricklayers, etc.) do they really need? And yet it would be incredibly irresponsible of them not to make the best use of their 'pot'. What they need is well trained nurses and the like. Nurses need to be degree qualified, so yes, degree apprenticeships should be part of the mix.

Of course, it is easy to make this point about the NHS. Is it so easy for other big companies? Let's look at companies everyone loves to hate, banking. Again, they can be very big payers of the levy,

¹ <https://www.accountancydaily.co/employers-only-use-9-apprenticeship-levy-funds>

² <https://www.fenews.co.uk/featured-article/40775-apprenticeships-2020-has-the-demise-of-the-levy-been-much-exaggerated>

again, they don't have much need for large numbers of electricians or gasfitters, but as good employers should be helping their workforce, at whatever level, to progress and develop.

Just to reinforce the point here, **in 2018/19 just 3.4% of apprenticeship starts were degree apprenticeships**³. A CBI report confirms that it is higher level skills where employers perceive the greatest skills shortage and have the lowest confidence that this can be met.⁴

Myth 3 Degree apprenticeships are rebadging existing training which companies had previously paid for - FALSE

Taking the Chartered Manager Degree Apprenticeship as an example, the number of companies offering this level of 'training' to their staff has increased three-hundred-fold according to some universities we have spoken with. Previously these companies had offered nothing! What the levy has done is make more companies take the training of staff a higher priority.

This argument also follows for the Senior Leader Masters Degree Apprenticeship, which provides much needed management skills at a higher level.

Myth 4 Offering apprenticeships to existing staff is preventing younger potential apprentices from getting jobs - FALSE

As Myth 1 showed, there is still plenty of money in the system to provide apprenticeships for both new and existing staff. And there are good reasons to develop the existing workforce. It is what employers should be doing and there is a logic to wanting to make the best of what you already have.

We all acknowledge that the world of work is changing. We keep being told that a large number of jobs that currently exist will cease and that they will be replaced by brand new jobs we can't even dream about yet. If this is the case, then we need lifelong learning to be readily available. Apprenticeships should enable this, not prevent it.

We also have a well-documented current skills gap that urgently needs filling. We need to work on this now by re-skilling the current workforce. Apprenticeships should be helping to fill this need.

And if we return to the NHS example. Doctors and nurses have opted in for management training via the Chartered Manager Degree Apprenticeship or the Senior Leaders Degree Apprenticeship because they are running teams, departments or surgeries without prior management training. The levy has enabled this. In turn this will deliver improvements in how health services are run and will lead to efficiencies and better services for the public good.

We shouldn't lose sight of those who, for whatever reason, missed out first time around on reaching their best in their education. Many of those people will be in the workforce, having assumed that their chances of education were over. Apprenticeships offer them that second chance. 80% of one university cohort of apprentices stated that they would not have undertaken the degree if it hadn't been in the apprenticeship.

³ <http://researchbriefings.files.parliament.uk/documents/SN06113/SN06113.pdf>

⁴ https://www.cbi.org.uk/media/3841/12546_tess_2019.pdf

One final point on this, a range of ages studying for an apprenticeship together more accurately reflects the workplace.

Myth 5 *The degree part in a degree apprenticeship is unimportant* - FALSE

The government knew, when they introduced degree apprenticeships that the degree made them more attractive. This is why they used them to encourage applicants for apprenticeships, with a specific advertising campaign about the cheap way to a degree.⁵

For degree apprenticeships to be attractive, they have to offer a degree, not some confusing “degree-level”, which would only serve to confuse people, including the employers who say they want applicants with a degree.

Myth 6 *If the degree is removed from the apprenticeship, universities can just offer a quick and easy top up* - FALSE

Such an assumption betrays a lack of understanding of higher education, the degree framework and quality assurance regulations. There is a very strict limit on how much credit can be given for prior learning when awarding a degree in the UK. If an apprentice isn’t registered on a degree programme from day one, they risk having to study much of the same content, and be examined on the same knowledge, potentially in a different way, in order to gain the degree.

Degree apprenticeships offer a gateway to social mobility with those from poorer backgrounds or where there is low parental expectation being able to gain the same qualifications as those from wealthier backgrounds while they are earning. *“We were all made to work from when we were thirteen, so we didn’t have those opportunities.” (Business Impact Manager, NHS)*

Myth 7 *Management Apprenticeships are not needed and are just a waste of funding* - FALSE

One of the most popular new apprenticeships is the Chartered Manager Degree Apprenticeship (CMDA). Part of the argument goes that no-one is ever required to have a management qualification therefore it can’t be necessary. It is also considered to be too broad; it could apply to any profession or workplace. The argument goes further to say that these are the sorts of qualifications that companies would have paid for without the apprenticeship levy.

But looking at the evidence, whether it be from the Department for Business, Energy and Industrial Strategy⁶, or the Confederation of British Industry⁷, or the Federation of Small Businesses, or any other source and you will read about the productivity problem in the UK and where the lack of good management is in large part to blame. Clearly there is a problem.

UK plc, for some reason, doesn’t historically invest in management training. That level 6 (undergraduate) and level 7 (postgraduate) management apprenticeships are employer-led and there is demand for them to address employer’s skills needs, is an example of the apprenticeship

⁵ <https://www.youtube.com/watch?v=n4qA3pd5xNA>

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

⁷ <https://www.cbi.org.uk/media/1171/cbi-educating-for-the-modern-world.pdf>

levy working, not evidence of its failings. And despite their popularity they are not a drain on levy funds, with management degree apprenticeships accounting for just 0.7% of apprenticeship starts in 2018/19.

A summary of the facts:

1. There is still plenty of money unspent from the apprenticeship levy.
2. Degree apprenticeships have caught on but make up a small proportion of apprenticeship starts, just 3.4%.
3. Companies have not switched away from lower level apprenticeships.
4. Offering apprenticeships to existing staff is not only useful, it is vital for filling the skills gap.
5. Degree apprenticeships have an important role to play.
6. Management apprenticeships are critical for the strength of UK economy.
7. Degree apprenticeships are helping social mobility.

What could be done to stop the proliferation of these myths?

If the government wants to retain the funds for other purposes, they need to come clean about it and declare the levy is a tax.

If it wants businesses to take the lead on apprenticeships, then it should ensure they are free to spend their money where they see the greatest need.

Government also needs to accept the importance of qualifications in apprenticeships. To ensure parity of esteem with A-levels and degrees, qualifications within the apprenticeship scheme are vital.

Education providers need to stop arguing amongst themselves on what is or isn't legitimate. Education and training are so vital to the prosperity of this country that regardless of level, there should be adequate funding available to give people, young and more mature, the skills they need to thrive.

It helps no-one to denigrate companies for what they are spending their pots on, or the providers of those apprenticeships that are popular. Companies spend their money where they think it will have the most impact and where there are perceived skills gaps.

Companies and the IfATE need to understand the desperate need for management training in this country rather than stoking the belief that this isn't necessary or important. Apprenticeships in management are an effective tool at our disposal to improve the productivity of UK plc. Let's not blow it.