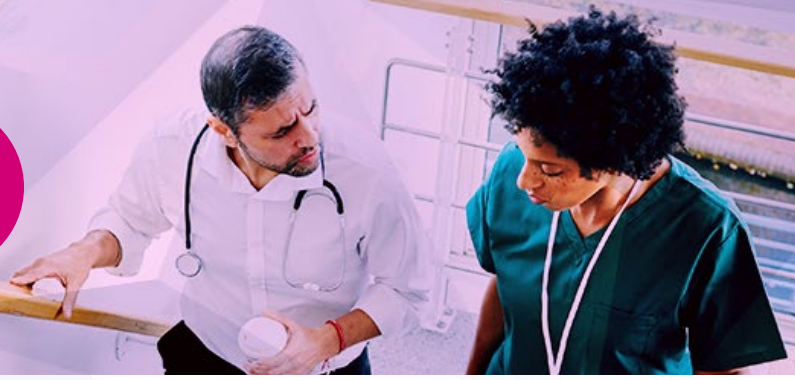


EXECUTIVE SUMMARY



The Future of the Apprenticeship Levy

In 2022, apprenticeships are higher quality and more aspirational than ever before and employer needs are now at the heart of these standards. Thanks to the shared contribution from both levy payers and government, total funding for apprenticeships in England has doubled from £1.25bn in 2010/11 to £2.5bn in 2022. New CMI modelling suggests that every £2bn invested in apprenticeships returns £1bn per year within a decade. Over the next 10 years,

CMI projects apprentices will add output of more than three times the initial investment on current trends. Apprenticeships are an excellent investment in future productivity.

Evidence suggests that apprenticeships are delivering productivity gains, helping businesses and public services to innovate, and transforming organisational cultures around learning and development. CMI data shows:

**£700m
PER YEAR**

Apprentices completing now are estimated to be adding almost £700m a year to the economy by the end of the decade and they are projected to add £7bn to the economy in total by then (for a cost of £2bn);

300% ROI

This output increase is a 300% return on investment.

17% ↑

CMI data found apprentices in the private sector received on average a 17% pay increase of nearly £7,000 through their management apprenticeship;

20%

and degree level management apprenticeships can lead to more than 20% productivity gains, with private sector productivity gains estimated at 27%.

**INCREASED
COMMITMENT**

97% of management apprentices say their apprenticeship has increased their commitment to improving the training and development of their direct reports;

**39% OF
CMI MANAGEMENT
APPRENTICES**

39% of CMI management apprentices are from a low socioeconomic background (compared to 36% in the UK labour force as a whole and 27% in higher education); and

71% 

71% of management apprentices come from families where neither parent went to university.

There have been calls for apprenticeships to be limited to certain skills levels, or for the Apprenticeship Levy to be turned into a general skills levy. These changes would dilute the impact of apprenticeships and unpick the gains that are being made. They would result in a new fiscal 'black hole' for government with a need to find

£2.5bn per annum from other areas or see the apprenticeship system collapse. All this suggests that policy should address improving employer and apprentice engagement with the system rather than diluting it or, even worse, dismantling it altogether.

The Apprenticeship Levy is not the main barrier to the take-up of apprenticeships. The focus must instead be on:

1

Capacity constraints, in terms of funding but also administrative time, for both large and small businesses, although this is more acute in SMEs;

2

Lack of information, advice and guidance for businesses and individuals and a complex application process; and

3

The risk involved for employers and education providers in taking on those less ready for work or learning and/or needing additional support, given their increased needs and chance of dropout.

Restricting employer choice on apprentice level or occupation would not directly address these challenges. It could in fact damage some of the progress that has been made to embed high-quality training, to provide progression opportunities and to improve much-needed skilled capacity in the public and private sectors.

A positive reform agenda would increase data and funding transparency, reduce bureaucracy and streamline processes, and

reduce the risk for providers and employers in taking on those from under-represented groups by providing both employers and apprentices with additional support.

Employers, providers and government also need policy stability and a clearer framework for how to evaluate the impact of apprenticeships on productivity measures and economic outcomes, not just access and take-up.



OUR KEY RECOMMENDATIONS:

1. Clarity and Transparency

Government should define an 'English Model of Apprenticeships' and enshrine it in law. It should be standards-based, accessible to all ages at all levels, employer-led and Levy-supported, with clear definitions around the purpose and evaluation criteria (and reporting) for apprenticeships policy: productivity, improved public services and social mobility.

2. Widen the scope of the system

Introduce Apprenticeship Accelerators to catalyse take up of apprenticeships. As the system proves its value over time (with more businesses benefitting from apprenticeships), and the system reaches its limits in terms of resource, government should consult on widening the Levy at a lower rate for more employers, to be introduced alongside wrap-around advice and guidance and/or wage subsidies. Government should also introduce auto enrolment on the Apprenticeship Service for all companies with employees registered for PAYE with HMRC, with regular communications on apprenticeships sent via HMRC.

3. Introduce an Apprenticeships Opportunity Fund

Government should deliver a ring-fenced budget funded by Levy transfer, expired Levy funds, an additional charge on large employers or a grant from government, to improve much needed support for underserved groups/ businesses to access and progress through apprenticeships.