

UK apprenticeships: impacts of the levy and COVID-19

*In the 2015 Queen's Speech, the UK government set a target for a total of 3 million new apprenticeships starts in England by 2020, with the pledge confirmed by the new government in 2017. During the same period, the English apprenticeship system experienced a series of major reforms, affecting the duration, training requirements, content, technical level, and funding of apprenticeships. In particular, the government introduced an apprenticeship levy across the UK to help fund apprenticeship starts for large employers. Since April 2017, all UK employers with an annual pay bill of more than £3 million contribute 0.5% of their pay bill in excess of this threshold to the apprenticeship levy, which they can then use for funding apprenticeships. **Gavan Conlon, Andy Dickerson, Steven McIntosh and Pietro Patrignani** examine the impact of these various changes to the apprenticeship system on recent enrolments, and briefly describe the initial effects of the COVID-19 pandemic on apprenticeships.*

Trends in apprenticeship starts

The 3-million target for new apprenticeship starts for 2015-2020 was not met. There were just over [2 million](#) apprenticeship starts in the period, with a decline in apprenticeship starts from 509,000 in academic year 2015/16 to 393,000 starts in 2018/19 (the last full academic year unaffected by COVID-19). However, this significant decline in the aggregate annual number of starts masks divergent underlying trends in the nature of the apprenticeships and in the characteristics of learners.

The RQF (Regulated Qualifications Framework) system for England and Northern Ireland enables individuals to compare different qualifications according to their level (knowledge and skills), from Entry Level 1 through to Level 8. For example, A-levels are RQF Level 3, and undergraduate (bachelors) degrees are RQF Level 6. The RQF replaced the National Qualifications Framework (NQF) and the Qualifications and Credit Framework (QCF) in 2015.

There was a substantial decline in the number of starts at intermediate level—RQF Level 2—and to a much lesser extent at advanced level—RQF Level 3—which was partly offset by a very rapid increase in the [number of starts](#) at higher level—RQF Level 4+. The fastest increase in higher level apprenticeships was observed in services activities, in particular in 'professional, scientific and technical activities' and in 'financial and insurance activities'.

These trends were starting to emerge at the same time as the apprenticeship levy was introduced. [Our research shows](#) that employers subject to the levy (i.e., those above the £3 million pay bill threshold) were generally more likely to engage with apprenticeship training as compared to non-levy paying employers. In addition, the rise in starts at higher levels was substantially greater for levy employers as compared to non-levy employers with similar characteristics, while the rapid fall in starts at intermediate and advanced levels occurred at a faster rate amongst non-levy employers.

As a consequence, the fall in the overall number of starts cannot be directly attributed to the introduction of the levy. Rather, the other changes to the apprenticeship system that occurred over the period, including the introduction of apprenticeship standards and removal of frameworks, the new requirements of a 12-month minimum duration and a lower threshold of 20% of off-the-job training, all contributed to the changing patterns in apprenticeship provision.

Nonetheless, levy contributions remain underused (i.e., levy-paying employers do not spend all of the funds they have available for apprenticeships within the 24 months allowed), while for non-levy employers (who receive a government contribution of 95% for apprenticeship costs), sources have reported a shortage of funds restricting their ability to engage in new apprenticeships (examples [here](#) and [here](#)). Recent trends show that there has also been a substantial shift towards levy-funded apprenticeship starts which accounted for 57% of new apprenticeships during 2018/19 as compared to slightly below 50% in the previous year. Finally, levy funds seem to be [more often directed](#) towards apprenticeship starts for older learners (aged 25+) and those not from socially disadvantaged backgrounds.

Effect of COVID-19 on apprenticeships

The emerging data available for the COVID-19 period (from 23 March 2020, when face-to-face delivery was halted and training moved online where possible) show that the trends described above were exacerbated by the COVID-19 pandemic. The total number of apprenticeship starts further declined to 323,000 during academic year 2019/20 and fell again in the first quarter of 2020/21 (by around 30% compared to the same period in previous years), while the proportion of levy-funded starts increased to 65% in 2019/20 (although has declined to 57% in the first quarter of 2020/21).

The COVID-19 pandemic also seems to have intensified the shift towards higher level apprenticeships and older apprentices (aged 25+) and away from more socially disadvantaged apprentices. For obvious reasons, apprenticeship starts in 'leisure, travel and tourism' and 'retail and commercial enterprise' were particularly adversely impacted by the COVID-19 pandemic.

In response to the COVID-19 crisis, the government introduced financial incentives for new apprentices in August 2020 – an additional £2,000 for each new start aged 16-24 and £1,500 for those aged 25+. The March 2021 Budget extended the incentive eligibility period to September 2021 and also increased the size of the bonus to £3,000 per new apprentice, irrespective of age. However, take-up of this scheme has been [limited so far](#), with approximately 25,000 employers having submitted claims for the bonus as of 1 February 2021 (compared to a budget allocation of up to 100,000 bonus payments).

What next?

Apprenticeship training is a key component of skills development and has been subject to extensive policy attention both before and during the pandemic. Despite its importance, little is currently known about the effects of the COVID-19 pandemic on new and in-progress apprenticeships and how the funding rules for levy and non-levy employers should be reformed. In-depth analyses and discussions in these areas would inform policymakers and stakeholders on how to ensure that the apprenticeship system delivers skill development and training efficiently and effectively for different businesses and learners.



Notes:

- *This blog post appeared first on the [blog](#) of the Centre for Vocational Education Research (CVER), and is based on [The impact of the Apprenticeship Levy on Apprenticeships and other training outcomes](#), CVER Discussion Paper 034.*
- *The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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