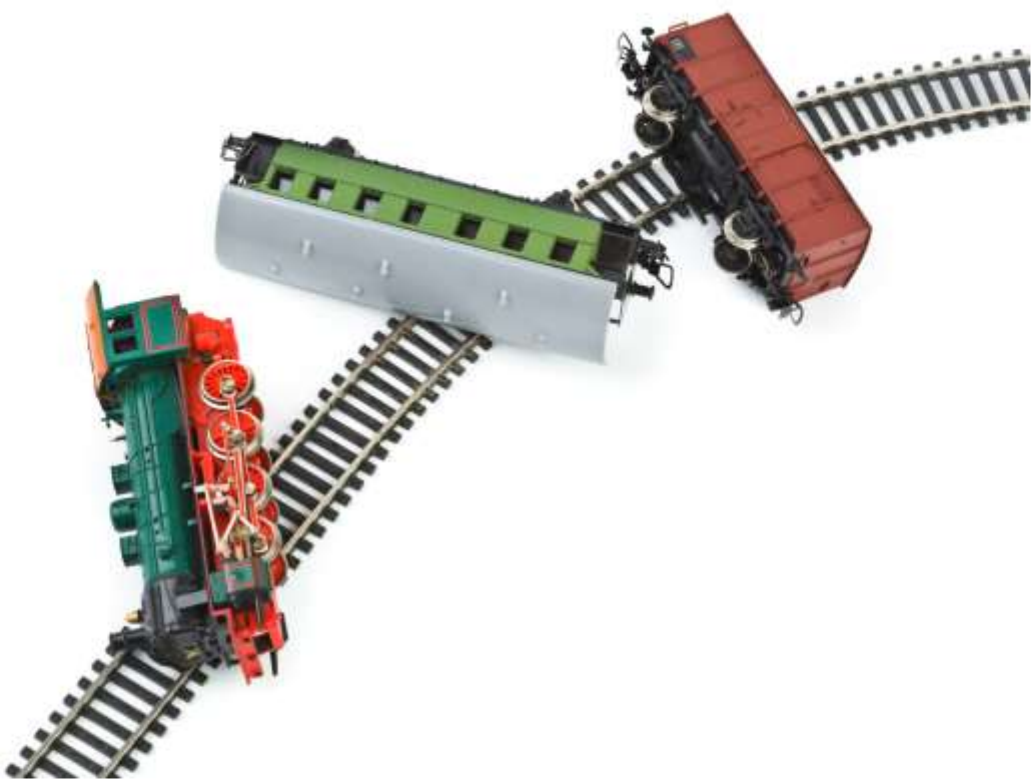
Runaway training

Why the apprenticeship levy is broken and how to fix it

Tom Richmond



About the author

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After three years in teaching, he moved into politics to work on policy development and research across the education, skills and welfare sector. This included roles at think tanks such as Policy Exchange and the Social Market Foundation, Pearson, G4S and working for an MP.

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Executive Summary

The apprenticeship levy began operating in April 2017. The levy is, in effect, a tax of 0.5 per cent on the pay bill of UK employers with annual wages of over £3 million. These employers pay their levy contributions into a digital account held by HMRC and can then 'spend' their contributions on apprenticeships delivered by registered training providers. Other employers who do not pay the levy can access the funds that the levy generates through arranging apprenticeships with registered providers as well. In its first full year of operation, the levy raised £2.7 billion and this is expected to rise to £3.4 billion by 2023-24. However, there have been repeated warnings in recent months that the funding pot generated by the levy is about to run out. This report investigates what is happening with the apprenticeship levy and with the apprenticeship system in England more broadly.

How many apprenticeships have been delivered under the levy, and to whom?

The levy has contributed to a significant drop in the number of people starting an apprenticeship in England. In the 12 months before the levy came into operation, 564,800 learners started an apprenticeship. This fell to just 364,000 in the 12 months after it was introduced. Although there has been a slight recovery in 2018/19 compared to 2017/18, the dramatic drop in starts since April 2017 has not been reversed.

Following the commencement of the levy, there has also been a decisive shift from lower to higher levels of training. The proportion of training at Level 2 (equivalent to GCSEs) has fallen by around 15 percentage points, whereas training at Levels 4 to 7 (equivalent to the first year of university up to Masters level) has grown by 9 percentage points. These trends are even more pronounced for levy-paying employers. Higher-level apprenticeships are typically more expensive to deliver, which has obvious implications for the financial viability of the levy both now and in future.

In addition, the levy appears to have affected the age of those who start an apprenticeship. Since the levy began in 2017, there has been a drop of 5 percentage points in the proportion of young people starting an apprenticeship as older (and often more experienced) workers are attracting more of the funding. Over the last two years, 66 per cent of higher-level apprenticeships have been started by workers aged 25 and over. The latest data also shows that 46 per cent of 'apprentices' have been with their employer for at least six months before they started their training. In other words, the bulk of the levy is being spent on existing adult workers instead of supporting young people into the workplace.

What has happened to the quality of apprenticeships since the levy began?

Since the Coalition Government announced major reforms to apprenticeships in 2012 that are still on-going today, many employers have produced high-quality, rigorous and challenging apprenticeships aimed at helping young people make the transition from school or college into the workplace. However, one of the most significant issues with the reforms has been the continued absence of a rigorous definition of an 'apprenticeship'. Remarkably, the government left it up to employers to decide what could be labelled as an apprenticeship, despite several recognised international definitions being freely available. Some employers have exploited this weakness in the reforms by inappropriately labelling training courses as 'apprenticeships' (in order to access the levy funding) when they are nothing of the sort. Between them, three categories of '**fake apprenticeships**' have been allocated over £1.2 billion of levy funding since April 2017 and account for 50 per cent of all the 'apprenticeships' started over this period.

1. Low-skill and generic roles (allocated £235 million of levy funding since 2017)

These roles include working on a shop checkout, basic office administration, serving drinks in a bar and being part of an airline cabin crew. Outside of 'apprenticeships', such roles are advertised as offering minimal training and low wages, which is why they do not meet any established definition of an apprenticeship either in this country or abroad. Even learning how to play football, cricket or rugby has now been labelled as a 'Sporting Excellence' apprenticeship to get access to the funding generated by the levy. These examples support the findings from a recent National Audit Office investigation, which found that the government "recognises that some employers use apprenticeships as a substitute for training and development that they would offer without public funding" (known as 'deadweight').

2. Management training and professional development courses (£551 million)

As the apprenticeship levy operates on a first-come-first-serve basis, rebadging management training and professional development courses for more experienced employees is a far more effective strategy for drawing down the levy funds than offering apprenticeships to new young recruits in skilled occupations. At the same time, non-levy employers have essentially been given unfettered access to 95 per cent subsidies for management and professional development 'apprenticeships'. As a result, the most popular 'apprenticeship' in the country is now becoming a 'Team Leader / Supervisor' – accounting for 1 in 10 apprentices and consuming £134 million of levy funding since 2017. Meanwhile, the 'Chartered Manager' and 'Department Manager' training courses have consumed around £100 million each. Other roles such as 'Retail Manager', 'Senior Insurance Professional', 'Marketing Manager' and 'HR Consultant' are self-evidently not entry-level positions but they continue to consume the levy funds that could instead have been used to support young people.

3. Bachelor's degrees and Master's-level programmes (£448 million)

The introduction of the levy has generated a surge of new 'apprenticeships' up to Bachelor's and Master's level, but Ofsted was already reporting last year that "graduate schemes are in essence being rebadged as apprenticeships". For the apprenticeship levy to be used up on university degrees that can already be funded through the student loan system is hugely wasteful. Nevertheless, labelling these degrees as 'apprenticeships' is appealing to employers because they can draw down a large amount of levy funding for every 'apprentice' (up to £27,000 depending on the programme).

The most costly higher-level apprenticeship has been the 'Accountancy / Taxation Professional' course at Level 7 (equivalent to a Master's degree), which has used £174 million of levy funding since 2017 by claiming to cover roles as diverse as Financial Accountants, Management Accountants, Tax Accountants, Tax Advisers, Tax Specialists, External Auditors, Internal Auditors, Financial Analysts, Management Consultants, Forensic Accountants and Business Advisors. For a single 'apprenticeship' to cover such a breadth of respected and well-paid jobs is questionable, to say the least. In addition, the 'Senior Leader apprenticeship' - aimed at CEOs, CFOs, senior military officers and Heads of Department among others - can include an MBA, which explains why it has quickly become a major source of revenue for business schools and consumed over £45 million in just two years.

Inappropriate rebadging of training courses also extends beyond the world of business and finance. The 'Academic Professional apprenticeship' – designed by 23 Higher Education (HE) institutions including the University of Oxford, the University of Durham and Imperial College London – is an overt attempt by these organisations to relabel their university academics as 'apprentices' to use up the university's own levy contributions. The fact that you typically need a PhD to be accepted onto this levy-funded training course confirms that it bears no relation whatsoever to any genuine apprenticeship.

Is enough being done to promote high-quality apprenticeship provision?

Despite warnings from Ofsted and others that it would be difficult to monitor a large influx of new entrants to the training provider market who are attracted by the sheer size of the levy funding pot, the register of approved providers now contains around 2,500 organisations - almost triple the number of providers when the levy was first announced. It quickly became apparent that some of the new providers were not up to the task. Countless examples have emerged of new providers failing their first visit from Ofsted, with some providers merely accrediting skills that their apprentices already had and some learners (and even some employers) being unaware that they were taking part in an apprenticeship. Even among experienced training providers, Ofsted's latest annual report found that only 58 per cent were rated 'Good' or 'Outstanding' for apprenticeships.

Although colleges and private training providers have historically been the bedrock of apprenticeship provision in England, this has now begun to change as over 100 universities and many other HE institutions have successfully applied to join the register of approved providers so that they too can access the levy funding. The government recently decided that the Office for Students – the university regulator – should be put in charge of monitoring higher-level apprenticeships, even though they have no expertise in regulating apprenticeships and they do not have the power to enter the premises of universities to carry out on-site inspections. The 'Augar Review' of post-18 education recently called for Ofsted to be given responsibility for inspecting apprenticeship provision at all levels, but the government has not changed its position. It is hard to have confidence in an apprenticeship system that places so little emphasis on ensuring that every apprentice receives the right training and support.

Conclusion

The swift disappearance of the funds raised by the levy is the direct result of the dilution of the apprenticeship brand caused by the rapid emergence of 'fake apprenticeships'. Regrettably, it has reached the point where the apprenticeship brand itself has arguably become a meaningless concept, such is the prevalence of the inappropriate rebadging and relabelling of existing training courses by some employers and universities. Given the looming prospect of a significant overspend on apprenticeships in the coming months, there is no doubt that the Treasury and the Department for Education must enact major changes to make the apprenticeships programme financially viable. The only question now is what changes they will choose to make.

Since 2017, government ministers have been reticent to intervene as they continued to hope that employers and training providers would find a way to make the apprenticeship levy succeed. The evidence from the last two years presented in this report shows that this approach has failed. Consequently, this report seeks to inform the government's deliberations on the future of the levy and the apprenticeships programme as a whole, with the aim of reducing overall expenditure in the context of building a better, more sustainable and more ambitious education and skills system. The recommendations in this report offer a credible, evidence-based package of reforms that can bring down the cost of delivering apprenticeships while still supporting the drive towards delivering world-class technical education in England as well as creating a productive workforce to boost the economy.

Recommendations

The apprenticeship levy generates a sizeable funding pot for employers and training providers, yet the way that this funding has been (and continues to be) used is proving controversial. The following package of reforms seek to address the three fundamental flaws in both the levy itself and the wider apprenticeship programme that are discussed throughout the report:

1. The failure to accurately define what is meant by an 'apprenticeship'
2. The lack of clarity over the purpose and goal of the apprenticeship levy
3. Confusion over the funding and quality assurance of apprenticeships

The recommendations in this report therefore focus on addressing each of these issues in turn under the following headings:

- Introducing a world-class definition of an 'apprenticeship'
- Setting a new vision and objective for the levy
- Revising the funding and regulatory framework

By implementing the full set of recommendations described below, this report estimates that almost £1 billion would have been saved since April 2017 - approximately one-third of the total spending from the funds generated by the apprenticeship levy.

INTRODUCING A WORLD-CLASS DEFINITION OF AN 'APPRENTICESHIP'

- **RECOMMENDATION 1**: The Department for Education should introduce a new definition of an 'apprenticeship' that is benchmarked against the best apprenticeship systems in the world.
- **RECOMMENDATION 2**: The Department for Education should restrict the use of the term 'apprenticeship' to training at Level 3 only.

SETTING A NEW VISION AND OBJECTIVE FOR THE LEVY

- **RECOMMENDATION 3**: The apprenticeship levy should be renamed the 'Technical and Professional Education Levy' and all work-based learning from Level 4 to Level 7 should be renamed 'Technical and Professional Education' (TPE).
- **RECOMMENDATION 4**: Bachelor's degrees and Master's-level courses that have been labelled as 'apprenticeships' should be excluded from the scope of the TPE levy.

- **RECOMMENDATION 5**: The existing co-payment rate of 5 per cent for apprenticeships should be replaced by a tiered co-payment rate for all TPE programmes from Levels 3 to 6, starting at 0% co-payment for apprenticeships at Level 3 up to a 75% co-payment for Level 6 programmes.

REVISING THE FUNDING AND REGULATORY FRAMEWORK

- **RECOMMENDATION 6**: The current system of 30 'funding bands' from £1,500 to £27,000 should be replaced by five 'price groups' for apprenticeships at Level 3 and higher-level TPE programmes.
- **RECOMMENDATION 7**: The 10 per cent 'top up' invested by government in the HMRC digital accounts of levy-paying employers should be withdrawn.
- **RECOMMENDATION 8**: Ofsted should be made the sole regulator for any apprenticeships and technical and professional education funded by the new TPE levy, including provision in universities.

1. Introduction

> *"However well-intentioned the desire was to drive fifty per cent of our school leavers to university without regard for their suitability for university or university's suitability for them, the result is an unthinking collective belief that a university degree offers an indication of greater capability which it does not, in fact, confer. And worse, in its absence, the learner is somehow inherently less learned or capable. But we cannot expect apprenticeships to be well regarded if we do not make it clear what they stand for. A university degree is valued in no small part because it is a degree. We infer from its award that the student met and exceeded a clear standard. The same is not true for apprenticeships. That must change."* [1]

In November 2012, entrepreneur Doug Richard delivered his government-commissioned review of apprenticeships in England (the 'Richard Review'). It set out wide-ranging reforms to the whole apprenticeship system, which broadly fell into three areas:

- The existing 'apprenticeship frameworks' were to be replaced by new 'apprenticeship standards' written by groups of employers, which would describe "in high level terms relevant and meaningful for employers, what an apprentice should be able to do at the end of their apprenticeship".[2]
- The way that apprentices would be assessed was altered so that the final test of an apprentice's 'occupational competence' was to occur at the end of their apprenticeship rather than relying on continuous tests and checks throughout their training.[3]
- The Richard Review insisted that "the purchasing power for training must lie firmly in the hands of employers [as] employers are best placed to judge the quality and relevance of training and demand the highest possible standards from training organisations."[4] In fact, the Review was convinced that "funding is the major lever the Government has to drive change in apprenticeships [and] establishing a funding system which incentivises quality, actively encourages expansion of apprenticeship opportunities, and drives efficient use of both Government and private investment, is an essential underpinning of everything else recommended in this report."[5]

The Coalition Government enthusiastically endorsed the Richard Review in March 2013, declaring that "we firmly agree with Doug Richard's assessment of the challenges and opportunities ahead, and endorse his vision for the future of apprenticeships and the key steps we will need to take to get there."[6] The Department for Education (DfE) and the Department for Business, Innovation and Skills (BIS) immediately set about translating the Richard Review into tangible steps forward. However, attempts by civil servants to build a new funding system for apprenticeships got off to an inauspicious start. Four different funding models were designed and subsequently published through two large-scale consultations during 2013 and 2014, but all the models were either rejected or withdrawn – the two most common difficulties being high administrative burdens and concerns over cashflow (particularly for smaller employers). The result of these numerous false starts was that over two years after the publication of the Richard Review, little progress had been made.

Following a proposal by Professor Alison Wolf in early 2015 that a 'levy' should be introduced to fund apprenticeships in future,[7] the newly elected Conservative Government announced a new 'apprenticeship levy' in the 2015 Summer Budget to support all post-16 apprenticeships in England. Later that year, the government explained how this levy would operate:

> *"It will be set at a rate of 0.5% of an employer's paybill. Each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any paybill in excess of £3 million and that less than 2% of UK employers will pay it. The levy will be paid through Pay As You Earn. By 2019-20, the levy will raise £3 billion in the UK."* [8]

Leaving aside the negative response from many employer representatives to this news, it soon became clear that the apprenticeship levy would not operate as one might expect. For example, a review by the OECD of how levies and subsidies can be used to support training had previously warned that "employers may look at their contribution simply as a tax and lack commitment."[9] In addition, levy-based funding models run the risk of substantial 'deadweight' (i.e. paying for training that would have happened anyway in the absence of the levy) as employers would try to claim levy funds for as many forms of training as possible, irrespective of the value that it adds to their organisation.[10] Furthermore, the OECD had noted that "better qualified employees or those at higher occupational levels, and employees in large firms seem to derive greater benefit from levy schemes" as the returns on investment are thought to be higher from the perspective of employers.[11]

Apparently unpersuaded by such evidence, the government began constructing the apprenticeship levy – which finally commenced operation in April 2017. In its first full year of operation, the levy raised £2.7 billion and this is expected to rise to £3.4 billion by 2023-24.[12] The levy applies to the whole of the UK, although the devolved administrations spend their proportions of the receipts separately from the funding in England. Approximately 2 per cent of UK employers pay the levy, which is set at a rate of 0.5% of their wage bill over £3 million.

Levy-paying employers in England have access to a digital account with HMRC that contains their levy contributions, which is updated monthly and includes a 10 per cent top-up to their accounts from the Treasury. The funds stay in an employer's digital account with HMRC for up to two years before they expire, at which point the funds are handed to the Treasury. When an employer decides to take on an apprentice, they must follow several steps to draw down the funds in their HMRC account:

1. The employer chooses which 'apprenticeship standard' (i.e. training programme) they want their apprentice to train towards;
2. The employer selects a 'training provider' from the list of providers approved by the Education and Skills Funding Agency (ESFA);
3. The employer selects an 'assessment organisation' approved by the ESFA to carry out the final 'end point' assessment at the conclusion of the apprenticeship;
4. The employer and the training provider negotiate a price for the required training and assessments;
5. The employer pays for the training and assessment with funds from their HMRC digital account.

Each apprenticeship standard is placed into one of 30 funding bands, with the upper limit of those bands ranging from £1,500 to £27,000. The government "[expects] employers to negotiate a price for their apprentice's training and assessment, in the knowledge that the funding band sets the maximum that government is prepared to contribute towards off-the-job training and assessment for each apprenticeship."[13]

Any employer that does not pay the levy but wishes to recruit an apprentice must still choose an apprenticeship standard, training provider and assessment organisation as outlined above. However, the absence of a digital account with HMRC means that they make a 'co-investment' towards whatever price they negotiate with training providers, and the government then directly pays the provider for the remaining costs. This co-investment rate was originally 10 per cent of the negotiated price but was brought down to 5 per cent in April 2019.[14] The same co-investment rate also applies to a levy-paying employer that has used up all their levy contributions but wants to recruit additional apprentices. Several other funding mechanisms underpin the levy. For example, since April 2019 employers have been able to transfer unused levy contributions in their HMRC account to other employers, up to a maximum value of 25% of the annual funds in their levy account.[15]

The Treasury allocates the DfE a fixed annual budget for apprenticeships, which was set in 2015 (before the final funding policy was decided) and extends to 2019-20. According to the National Audit Office (NAO), the budget broadly matches the forecast for future levy receipts made in 2015 and does not change if the levy raises more or less than expected.[16] Since fewer learners started apprenticeships than expected to begin with, the DfE underspent on apprenticeships by £400 million in 2017-18 against an available budget of £2 billion.[17] However, the DfE have since admitted that spending on the programme could now rise to more than £3 billion in 2020/21 – leading the NAO to conclude that there is a "clear risk that the budget may be insufficient".[18]

It was recently reported that the apprenticeships budget is actually set to be overspent by £500 million in 2018/19, rising to an overspend of £1.5 billion in 2021/22, according to the Institute for Apprenticeship and Technical Education (IFATE) – the government agency that oversees apprenticeships.[19] In March 2019 Jonathan Slater, the DfE's top civil servant, acknowledged to the Public Accounts Committee in Parliament that "something is going to have to give" as "[the levy] could be significantly overspent if we carried on, on the basis of current trends."[20] The mere fact that the DfE seems to have misjudged their expenditure on apprenticeships so soon after the levy began and by such a wide margin is a worrying sign.

This report does not seek to re-open the debate over whether a levy is the right instrument to generate greater investment in training from employers. Instead, it will analyse how and why the apprenticeship levy has spiralled out of financial control in such a short period of time. The report begins by looking at how the government has defined an 'apprenticeship' since the Richard Review was published in 2012. This will be followed by an investigation into what has happened to the number, type and level of apprenticeships in England since the levy was introduced in 2017. Moreover, the quality of the programmes funded by the levy will be assessed to highlight what is now being promoted to learners and employers as an 'apprenticeship'. Other important issues such as the quality assurance regime in place to protect apprenticeships will also be discussed.

The overriding message of this report is that there are several reasons to be concerned about what has happened over the past two-and-a-half years. Without substantial alterations to the way that we fund, design and deliver apprenticeships, the situation is likely to get even worse. This author has produced major reports on our apprenticeship system in 2016[21] and 2018.[22] This new publication seeks to expand and develop on these previous investigations because, as highlighted by the projected overspends, there is no doubt that the government must enact major changes in the coming months to make the apprenticeships programme financially viable. The only question now is what changes they will choose to make. Consequently this report seeks to inform the government's deliberations by outlining a new approach to both the levy and the apprenticeships programme as a whole, with the aim of reducing overall expenditure in the context of building a better, more sustainable and more ambitious education and skills system in England.

2. What is the definition of an 'apprenticeship'?

The Richard Review in 2012 aired its reservations about what had happened in previous years to the term 'apprenticeship'. Trying to maintain a diversity of views on what counts as an apprenticeship had "led us to stretch the definition of what an apprenticeship is too far and, as a consequence, we risk losing sight of the core features of what makes apprenticeships work, what makes them unique."[23] The Review added that:

> *"There has been a drift towards calling many things apprenticeships which, in fact, are not. This does not help us define and support apprenticeships going forward. Simply enough, not all instances of training on a job are apprenticeships."* [24]

In the same year, a report by the International Labour Office (ILO) set out the internationally accepted definition of an apprenticeship:

> *"'Apprenticeship' is taken to denote training programmes that combine vocational education with work-based learning for an intermediate occupational skill (i.e., more than routinised job training), and that are subject to externally imposed training standards, particularly for their workplace component."* [25]

The ILO definition also incorporated other key features of an apprenticeship:

- they are based in the workplace and supervised by an employer;
- they are intended for young people;
- the fundamental aim is learning a trade/craft or acquiring a skill;
- the training is 'systematic' i.e. follows a predefined plan (a "programme of learning");
- the training is to established standards for a recognised occupation;
- it is governed by a contract between apprentice and employer;
- it provides long-term training;
- there is also off-the-job education and training;
- there is external regulation of training standards both in and outside the workplace.[26]

What's more, the ILO has recently gathered definitions used in different countries, which further illustrate the core features of an apprenticeship such as the emphasis on skilled occupations and systematic training in both theory and practice:

- **BRAZIL**: "*An apprenticeship is a process for the methodical technical and vocational training of adolescents and young people, developed through theoretical and practical activities organized in tasks of progressive complexity*."
- **GERMANY**: "*An apprenticeship should, 'through a systematic training programme, impart the professional skills, knowledge and qualifications (vocational competence) which are necessary to engage in a form of skilled occupational activity in a changing working world'*."
- **SOUTH AFRICA**: "*Modern apprenticeships are a combination of on-the-job training and related classroom instruction, in which apprentices learn the practical and theoretical aspects of the designated trade*."
- **UNITED STATES**: "*Apprenticeship is a combination of on-the-job training and related instruction in which workers learn the practical and theoretical aspects of a highly skilled occupation*." [27]

In 2013, the DfE and BIS published their own definition of an 'apprenticeship' as part of the government's wider reforms (see Box 1).[28]

BOX 1: WHAT IS AN APPRENTICESHIP? (DfE / BIS, 2013)

An Apprenticeship is a job that requires substantial and sustained training, leading to the achievement of an Apprenticeship standard and the development of transferable skills. This definition is underpinned by four principles of future Apprenticeships:

- An Apprenticeship is a job, in a skilled occupation
- An Apprenticeship requires substantial and sustained training, lasting a minimum of 12 months and including off-the-job training
- An Apprenticeship leads to full competency in an occupation, demonstrated by the achievement of an Apprenticeship standard that is defined by employers
- An Apprenticeship develops transferable skills, including English and maths, to progress careers.

It was immediately evident that the government's definition was a poor imitation of the ILO's equivalent. No definition of a 'skilled occupation' was offered to differentiate it from low-skill or unskilled roles. Even the phrase 'occupation' was not explained, which led to a remarkable situation in which the government left it up to employers to decide what constituted an occupation (and would therefore be labelled as an 'apprenticeship'). There was also no mention of other critical features of an apprenticeship such as the need for a systematic training plan, the importance of combining on- and off-the-job training or any external regulation of the training standards.

Following the publication of this definition, groups of employers (known as 'Trailblazers') were asked to come forward and write the new 'apprenticeship standards' that described the skills, knowledge and behaviours an apprentice would acquire by the end of their training. To promote high-quality standards, the government designed a set of criteria against which the proposed standards put forward by employers would be judged (see Box 2).[29]

BOX 2: CRITERIA FOR APPRENTICESHIP STANDARDS (DfE / BIS, 2013)

Any new standard must:

- describe what full competence for a specific occupation means so that, on completion, an apprentice will have the skills, knowledge and confidence to perform the role in any part of the sector
- be publicly recognised by employers (including small businesses), recognised professional or trade bodies and, where appropriate, higher education institutions (HEIs), as fit for purpose
- be suitable for small businesses to use to train their apprentices, if necessary with external training
- contain sufficient content, and be pitched at such a level, that a new entrant to the occupation would find it stretching and need at least one year of training to meet the standard
- include any skills, and any other requirements, for professional registration if such a system exists in the sector or occupation so that, on completion, a successful apprentice can achieve professional registration.

Despite these criteria being published in the same document as the government's new definition of an apprenticeship, several significant alterations had apparently been made from defining an apprenticeship to describing how the new standards would be judged:

- The phrase 'skilled occupation' did not feature in the criteria for judging the new standards, as the government merely requested that employers added "sufficient content" to their standards;
- The phrase 'sustained training' was replaced by requiring apprenticeships to last just 12 months – which is well below the international standard of 2-4 years;
- The need for "long-term training" cited in the ILO definition was not even an expectation of the new standards, let alone a requirement;
- There was no mention in the criteria of 'systematic training' or a programme of learning, or how this might be assessed or monitored.

The end result of these deviations from the government's original (and already unsatisfactory) definition was that the door had been left wide open to poor practice and substandard training. These new apprenticeship standards did not have to focus on high-skilled recognised occupations, as employers could describe almost any job or role that they wished to be classed as an 'apprenticeship'. There was also no compulsion to only offer these apprenticeship standards to those who were new to a job or role, meaning that they could be targeted at existing employees instead of new recruits. Furthermore, the new standards did not have to promote long-term or systematic training, unlike apprenticeships in other countries, and there was no need for employers to outline how, where or when the content of an apprenticeship would be delivered – either in the workplace or off-the-job. In short, despite having had years to address this deficiency in their reform programme, the government has failed to produce a credible and respected definition of an apprenticeship at any point since 2012.

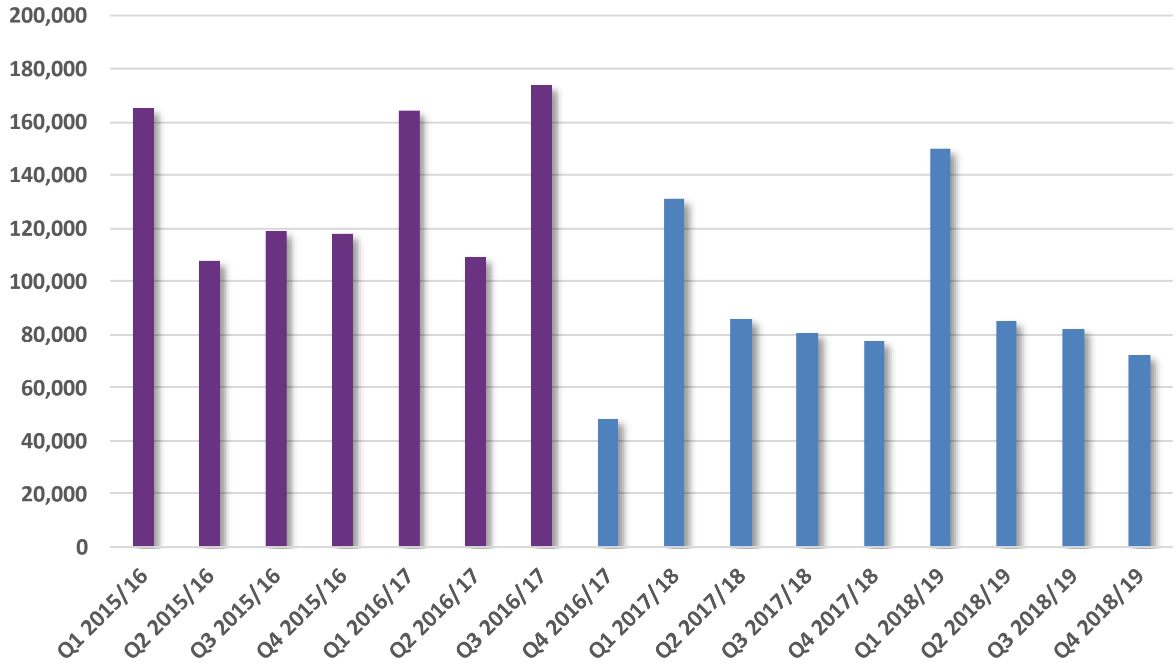
3. How many apprenticeships have been delivered under the levy, and to whom?

This chapter will analyse the impact of the apprenticeship levy by recording the number, age and level of learners starting an apprenticeship in the two years since the levy's introduction and comparing this with the two years before the levy was introduced.[30] It will also consider the transition from the old 'apprenticeship frameworks' to the new 'apprenticeship standards' and the effect this has had on learners and employers.

A significant drop in apprenticeship starts

Even from a cursory glance at Figure 1 below,[31] it is clear the apprenticeship levy has contributed to a significant drop in the number of people starting an apprenticeship in England. In the 12 months before the levy came into operation, 564,800 learners started an apprenticeship. This fell to just 364,000 in the 12 months after it was introduced. Although there has been a slight recovery in 2018/19 compared to 2017/18, the dramatic drop in starts since April 2017 has not been reversed.

Figure 1: the number of 'apprenticeship starts' in each 3-month period

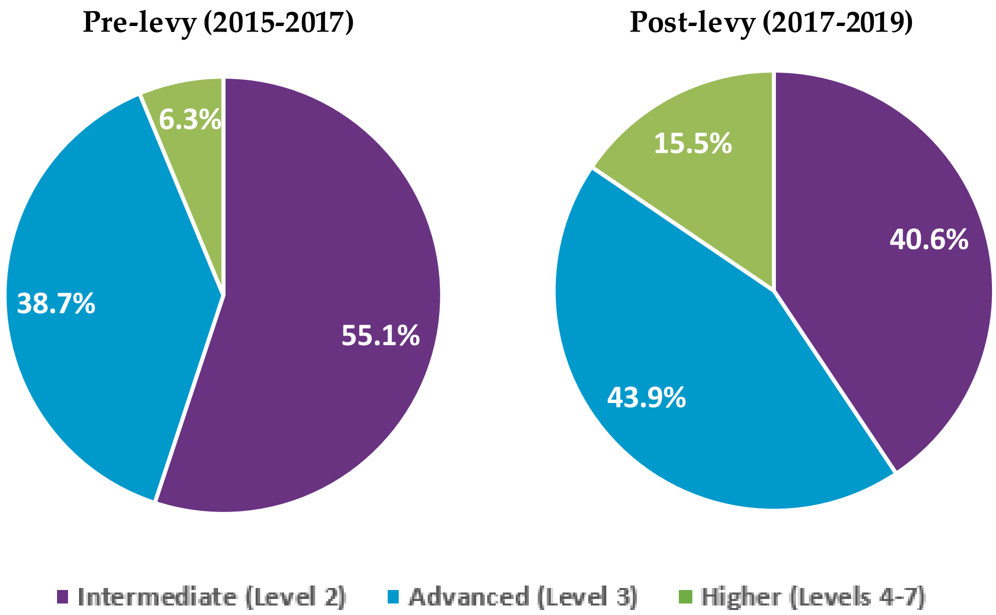


Purple = before the levy was introduced *Blue = after the levy was introduced*

Training has shifted towards higher levels

In many continental apprenticeship systems such as Switzerland, Germany and Austria, almost all apprenticeships are positioned at Level 3 ('Advanced'; equivalent to A-levels) as opposed to Level 2 ('Intermediate'; equivalent to GCSEs) or Levels 4 and above ('Higher'; equivalent to the first year of university through to a Bachelors (Level 6) or Masters (Level 7) degree). This is because other countries view the concept of an 'occupation' very differently from employers in the UK.[32] In addition, the training in those countries is designed to ensure apprentices become fully competent in their occupation rather than providing training to those already in work or to those who require further training before they are 'work-ready'.[33]

Figure 2: the proportion of apprenticeship starts at different levels[34]

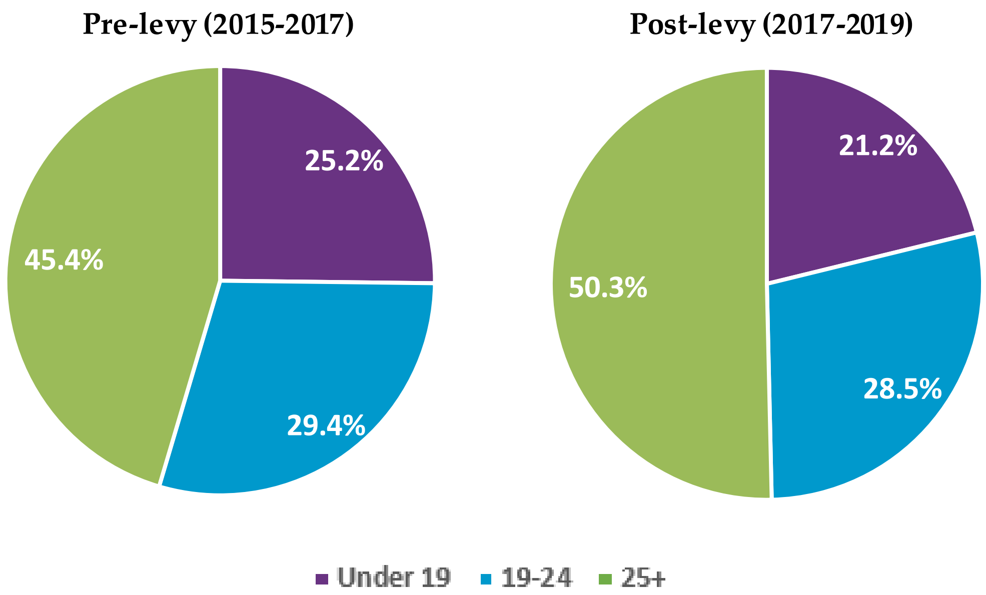


Since the levy commenced operation, there has been a decisive shift from lower to higher levels of training. As shown in Figure 2, the proportion of training at Level 2 has fallen by around 15 percentage points, whereas training at Levels 4 to 7 has grown by 9 percentage points. This trend is even more pronounced for levy-paying employers, as 21 per cent of starts at these organisations are now at higher levels compared with just 36 per cent at Level 2.[35] Higher-level apprenticeships are typically more expensive to deliver, which has obvious implications for the sustainability of the levy. The NAO reported last year that the average cost of completing an 'apprenticeship standard' was around £9,000 at the end of 2017/18 - approximately double the cost estimated by the DfE when the programme's future budgets were set in 2015.[36] This is why the shift towards higher-level training has been a major factor in the predicted overspend on apprenticeships in 2018/19 and in subsequent years.

Younger learners are missing out

Alongside the move away from lower-level training, the apprenticeship levy appears to have affected the age of those who start an apprenticeship. Apprenticeships are almost exclusively offered to young people in other countries because they recognise that apprenticeships are a form of initial vocational training to help a young person enter an occupation.[37] In this country, it was not until 2004 that apprenticeships became available to those aged 25 and over. Although the number of adult apprentices remained relatively low to begin with, in every year since 2011 they have been the dominant age group in terms of the number of starts. This has come about despite countless politicians citing apprenticeships as a programme for supporting young people. Not only has the apprenticeship levy failed to address the emphasis on adult apprentices in recent years, it seems to have made things worse.

Figure 3: the proportion of apprenticeship starts for learners of different ages[38]



As can be seen in Figure 3, adult apprentices aged 25 and over were already the main contributor to the overall number of apprenticeship starts in the years preceding the levy. Since the levy commenced in 2017, this trend has continued with a rise of 5 percentage points in the proportion of starts going to adults in the last two years.

When you combine the data on the level of training with the breakdown of apprenticeships by age group, the picture becomes even more concerning. As shown earlier in Figure 2, there has been a dramatic growth in higher-level apprenticeships, and this growth has benefited adult apprentices instead of younger learners. In the two years since the levy began operation, 66 per cent of higher-level apprenticeships have been started by learners aged 25 and over – a total of 80,500 adult apprentices compared to just 7,100 learners aged under 19.[39] This striking disparity is also supported by the government's statistics on how long apprentices have been with an employer before starting their training. The latest data shows that 46 per cent of 'apprentices' have been with their employer for at least six months before they started their training.[40] This strongly suggests that experienced adult employees are now the focus of the apprenticeship programme under the levy, at the expense of younger and less experienced learners. In other words, the bulk of the levy is being spent on adult workers rather than supporting young entrants to the workplace.

Misaligned incentives for employers

In many respects, this shift towards higher-level training and older apprentices was entirely predictable. Before the levy was introduced, apprentices aged 19 and over typically attracted a government subsidy of 50 per cent for their training costs while apprentices aged under 19 attracted a subsidy of 100 per cent. However, the new 'co-payment' structure used for the levy means that non-levy-payers (who represent 98 per cent of all employers) only have to contribute 5 per cent of the cost of training instead of 50 per cent. This has created a powerful incentive for these employers to start training older 'apprentices' (particularly existing employees) on more expensive training courses to take advantage of the 95 per cent subsidy provided by government. In theory, this 95 per cent subsidy is unlimited and can be used for as many employees as an employer chooses to put through an 'apprenticeship'. Unsurprisingly, this has resulted in a sharp rise in the take-up of higher-level training courses – something that the DfE does not appear to have considered when making their budget forecasts.

Leaving aside the incentives for non-levy employers to swiftly access the available funding, levy-paying employers will want to use up as much of the funding in their HMRC digital account as possible before it expires after two years. In principle, every levy-paying employer can draw down all the funding that accumulates in their HMRC account, but the multi-million-pound levy contribution made by many large employers means that it is simply not feasible for them to deliver enough apprenticeships to empty their accounts. This is an important feature of the levy system because the DfE apprenticeships budget is not sufficient for all levy-paying employers to draw down their funds in full.

The government had expected levy-paying employers to access up to around half of the funds in their levy accounts to cover both new starts and existing apprenticeships. In 2017-18, levy-paying employers accessed £191 million (9 per cent) of almost £2.2 billion of levy funds available to them, compared with the DfE's forecast of £272 million (13 per cent).[41] Nonetheless, this situation is rapidly evolving because levy-paying employers managed to use 22 per cent of their funds in the 12 months to the end of January 2019.[42] This rational response from levy-paying employers to the incentives created by government would not be overly problematic were it not for the fact that the funds generated by the levy must pay for apprenticeships in both levy-paying and non-levy-paying employers.

The DfE and Treasury reallocates a portion of the levy funds paid by large employers to cover the cost of apprenticeships delivered by training providers to non-levy employers. The government awarded contracts worth a total of £485 million to around 700 providers in January 2018 for the delivery of apprenticeships to non-levy employers until March 2019[43] (recently extended to March 2020). The problem for the government is that these contracts are far smaller than those which existed before April 2017, but they cannot allocate more funding to apprenticeships for non-levy employers because levy-paying employers have been using up their HMRC account funds far quicker than expected – yet another consequence of the movement towards higher-level and more expensive apprenticeships.

By February 2019, it was already being reported that providers' funding to deliver apprenticeships to non-levy employers was running out, yet the government couldn't offer more funding as it does not have any left in the programme budget.[44] David Hughes, chief executive of the Association of Colleges, said he was "getting increasingly worried that more and more employers are being turned away", which is "bad for young people who are missing out on opportunities to take up an apprenticeship". He added that "this is a market failure for SMEs and young people [and] the government needs to intervene."[45] This was echoed in August 2019 by Mike Cherry, chief executive of the Federation of Small Businesses, who reported that "there are serious concerns about the likely exhaustion of the levy budget and the consequences for non-levy paying employers."[46] Should the predicted overspends in the apprenticeships budget come to pass, there could be even less money in future for training providers to support non-levy employers who wish to take on an apprentice.

Giving non-levy employers an apparently unlimited source of 95-per-cent subsidised training (even for existing experienced staff at higher levels) while levy-paying employers increase the rate at which they use up their levy contributions has created a 'perfect storm' for the apprenticeships programme. There are currently no mechanisms in place to contain the surge in demand for funding because levy-payers have unrestricted access to their HMRC accounts while non-levy employers are understandably keen to draw down the funds available to them irrespective of the fact that the non-levy funding pot is small and finite. The present setup is simply untenable and will not resolve itself, which is why the government is facing an unenviable set of choices about how to restrict spending on apprenticeships from this point forward.

4. What has happened to the quality of apprenticeships since the levy was introduced?

The previous chapter showed how changes in the number, age and level of apprentices has placed a considerable strain on the apprenticeships budget. What's more, this report has already discussed the problems created by the continued absence of a rigorous definition of an 'apprenticeship' within the government's reforms. This chapter will analyse the three broad categories of apprenticeship standards that have exploited the inadequacy of the government's definition of an apprenticeship because these standards can all be labelled as an 'apprenticeship' to access levy funding:

- Low-skill and generic roles
- Management training and professional development courses
- Bachelor's degrees and Master's-level programmes

In addition to analysing the number of 'apprentices' that have started training towards apprenticeship standards within these three categories since 2017, this report will also estimate the amount of levy money that has been drawn down by these standards.

Low-skill and generic roles

Many employers have used the 'Trailblazer' process to produce high-quality and demanding apprenticeship standards aimed at helping young people make the transition from school or college into the workplace. However, other employers appear to be using this same process to design new standards that merely rebadge low-quality and low-skill roles as an 'apprenticeship' to gain access to the funding generated by the levy. Last year, this author highlighted numerous instances of such behaviour by employers.

The 'Hospitality Team Member' standard claims to train learners to work in bars, restaurants, cafés, conference centres and hotels.[47] However, apprentices only train towards a single 'specialist area' during the 12-month course (e.g. Barista, Food and Beverage Service, Housekeeping, Reception). The desire for specialisation is so extreme that an apprentice on the 'Alcoholic Beverage Service' specialism must then choose between training for 'wine service', 'beer / cask ale' or 'cocktails / mixology'. In Germany, their 'Hotel Business Specialist' apprenticeship trains people to work in the same establishments but includes a 3-year training package that covers all the specialist areas in the English standard as well as training in a much broader range of skills and knowledge including managing inventories, stock control, promotions and marketing, planning employee shifts and handling complaints.[48]

An apprenticeship standard that claims an apprentice will be able to work in a huge variety of different settings after just 12 months of training is usually a strong indication that it is a low-skill training course. For example, adverts for 'Customer Service Practitioner' apprentices have included roles at an estate agent, car dealership, coffee shop, accountancy firm, distribution firm, medical centre, locksmith, sport centre and a cleaning company.[49] This is driven by the standard being so vague that its core 'knowledge' includes statements such as "understand who customers are", "know the purpose of the business", "understand your role and responsibility within your organisation" and "understand the products or services that are available from your organisation".[50] Such generic assertions highlight the lack of specialist or technical knowledge within the course as well as how little skill is required to complete it.

The 'Retailer' standard follows the same pattern as it asserts that those who complete the apprenticeship can work in a variety of shops and retail establishments including department stores, garden centres, delicatessens, supermarkets, small boutiques and even funeral services.[51] The suggestion that such diverse employment contexts could be covered by a single apprenticeship standard clearly demonstrates the dearth of specialist knowledge and rigorous training that it offers. In 2015, a Select Committee in Parliament described the significant gulf between retail apprenticeships in Germany and England:

> *"In Germany sales assistants are typically responsible for the whole distributive process, including ordering, merchandising and advising customers and they do not receive daily instructions from superiors. …By contrast, in UK retail firms, work for sales assistants is typically divided up into bounded tasks which are relatively easy to carry out. Sales staff have limited autonomy and tend to follow day-to-day instructions by managers."* [52]

Far from showing any apprehension about rebadging such low-skill roles as 'apprenticeships' to secure levy funds, Trailblazer employers often spell out how low their ambitions are within the standard itself. Numerous standards make it plainly apparent that the 'apprentice' is given little autonomy or responsibility, they are not given decision-making powers and their primary function is often to carry out basic support functions for other staff:

- **RECRUITMENT RESOURCER**: "*Their role is to identify, attract and shortlist candidates for the recruitment process to fulfil the requirements of the business brief and provide resourcing support to the recruitment function*." (this apprentice does not carry out any recruitment or selection themselves – they just provide administrative support for a recruiter) [53]
- **HEALTHCARE SCIENCE ASSISTANT**: "*HCSAs perform a range of low risk, routine technical and scientific procedures usually within one broad area of HCS, following specific protocols*" [54]

- **FINANCIAL SERVICES CUSTOMER ADVISER**: *"Within [Financial Services] organisations there are a number of front line roles that deal with customers on a range of relatively straightforward transactions"* [55]
- **HOUSING / PROPERTY MANAGEMENT ASSISTANT**: *"[The role is] primarily responsible for the administrative work needed to support the creation and sustainment of successful tenancies and leaseholds in both social and private housing sectors. …The role involves working under supervision"* [56]
- **INVESTMENT OPERATIONS ADMINISTRATOR**: *"A fully competent employee at this level will be capable of performing routine, non-complex tasks in these businesses."* [57]
- **PHARMACY SERVICES ASSISTANT**: *"The [apprentice] works under the supervision of a Pharmacist, Pharmacy Technician, or other accountable healthcare professional. …They will understand and work to standard operating procedures, a set of step-by-step instructions compiled by their organisation to help staff carry out routine operations."* [58]

These are by no means the only instances of Trailblazer employers working together to produce apprenticeship standards that do not represent anything like a skilled occupation requiring substantial and sustained training. What makes these standards even more disappointing is that there is usually a Level 3 version of the same standards that is separate from the Level 2 training course – known as 'vertical differentiation'.[59] England is one of only a few countries to offer apprenticeships at both Level 2 (equivalent to GCSEs) and Level 3 (equivalent to A-levels) instead of only offering the widely-recognised international benchmark of Level 3. The vertical differentiation generated by employers has created clusters of apprenticeship standards containing basic, low-skill roles at Level 2 underneath a Level 3 standard that could confer genuine labour market value (see Table 1).

Table 1: examples of 'vertical differentiation' between similar apprenticeship standards at Level 2 and Level 3

LEVEL 2 STANDARD	LEVEL 3 STANDARD
Financial services customer adviser	Senior financial services customer adviser
Food and drink process operator	Food and drink advanced process operator
Healthcare science assistant	Healthcare science associate (Level 4)
Housing/Property Management Assistant	Housing/Property Management
Investment Operations Administrator	Investment Operations Technician
Rail Engineering Operative	Rail Engineering Technician
Recruitment Resourcer	Recruitment Consultant
Science Manufacturing Process Operative	Science Manufacturing Technician

There are two reasons to be concerned about such vertical differentiation. First, almost by definition, any learner who finishes their training at Level 2 rather than being allowed to progress to Level 3 will be left without the skills, knowledge and behaviours needed to work effectively and independently in their chosen industry. Consequently, the apprentice finishing at Level 2 is likely to remain on a lower wage than those qualified to Level 3, which will hinder their labour market mobility and earning potential. Second, employers and training providers can draw down money from the levy twice because the Level 2 and Level 3 are considered separate programmes in funding terms, which represents a significant and, in some cases, entirely unnecessary drain on precious resources.

Although each of these low-skill training courses is funded at a relatively low level (typically £3,000-6,000), the sheer volume of learners has resulted in huge sums of levy funding being consumed. As shown in Table 2, the potential bill for the most common low-skill and generic standards since the levy was introduced has already reached tens of millions of pounds.

Table 2: the estimated levy money allocated to the five most common low-skill and generic apprenticeship standards[60]

NAME OF APPRENTICESHIP STANDARD	APPRENTICESHIP STARTS SINCE APRIL 2017	AVAILABLE FUNDING PER APPRENTICE	LEVY FUNDING SINCE APRIL 2017
Customer Service Practitioner	13,602	£3,500	£47,607,000
Business Administrator	10,533	£5,000	£52,665,000
Retailer	10,255	£4,000	£41,020,000
Hospitality Team Member	9,458	£4,000	£37,832,000
Healthcare Support Worker	4,096	£3,000	£12,288,000

This rebadging of low-skill and generic roles as 'apprenticeships' has continued expanding into other corners of the labour market in recent months. A new apprenticeship standard for 'Cabin Crew' was recently designed by a Trailblazer group that includes British Airways, easyJet and Virgin. Somewhat embarrassingly, the current page titled 'Cabin Crew training' on the easyJet website proudly declares that, following a successful application, "you'll learn everything you need to know in a three-week period"[61] – which makes the 12-month minimum duration for this 'apprenticeship' look rather far-fetched. The British Airways website does not fare much better, as it claims that "when you join British Airways as Cabin Crew, you will be enrolled on the Cabin Crew New Entrant Training [and] the course will be between 4 to 6 weeks".[62]

Perhaps the most surreal example of rebadging comes from the apprenticeship standard titled 'Sporting Excellence Professional', through which a learner will be "able to competently perform the professional sport in which they train such as cricket, football, rugby league and rugby union".[63] In other words, the apprentice will be playing sport. The standard goes on to helpfully explain that these 'apprentices' will be "part of a playing team", they will "undertake a daily training routine" and will "have high level of autonomy in terms of responsibility for what happens on the field of play and need to be able to cope with extreme pressure."[64] The fact that the IFATE has allowed the act of playing sport to be rebadged as an 'apprenticeship' illustrates how this government agency is either unable or unwilling to help deliver a credible and respectable apprenticeship system.

Management training and professional development courses

As noted in the previous chapter, the Richard Review was adamant that not all instances of training are 'apprenticeships':

> *"Improving the skills of someone already doing a job (or 'upskilling') is valuable and may well be something the Government wishes to support in other ways. Accreditation, for individuals who want their existing skills recognised, is also beneficial. But these activities are not apprenticeships and they should remain clearly distinct from the apprenticeship programme. This is important for ensuring efficient and effective application training, and for maintaining value for money and a strong and credible brand."* [65]

The international definition from the ILO also asserts that apprenticeships are a training method for young people that combines vocational education with training in the workplace for 'intermediate occupational skills' (i.e. the level above routinised job training). Like the Richard Review, this approach does not include training or upskilling individuals at senior levels. Regrettably, even in the early stages of the on-going reforms to apprenticeships in England, some employers showed their keenness to rebadge professional development and management training courses for senior members of staff as 'apprenticeships' to access the available funding.

When the NAO conducted their first major investigation into the apprenticeship programme in 2016, they recognised that, while the government "might reasonably expect the vast majority of employers, training providers and assessment bodies to act properly in response to apprenticeship reforms, a small minority may behave in unintended ways." This included the risk that employers use the apprenticeship reforms to "artificially route other forms of training into apprenticeships".[66] It has since transpired that this behaviour is extending well beyond a 'small minority' of employers.

By the time the NAO returned in 2019, the widespread predictions of employers taking advantage of this opportunity to route other training into 'apprenticeships' had become a serious problem:

> *"The apprenticeships programme now encompasses a wider range of professions and types of training. …However, these new types of apprenticeship raise questions about whether public money is being used to pay for training that already existed in other forms. Some levy-paying employers are replacing their professional development programmes – for example, graduate training schemes in accountancy or advanced courses in management – with apprenticeships. In such cases, there is a risk that the additional value of the apprenticeship to the economy may not be proportionate to the amount of government funding."* [67]

The NAO's latest report even noted that the government "recognises that some employers use apprenticeships as a substitute for training and development that they would offer without public funding"[68] (the very definition of 'deadweight') yet did nothing at the time to prevent the levy funding being consumed by such antics. In addition, Ofsted has warned about such practices, with their 2018 annual report stating that "we have seen examples where existing graduate schemes are in essence being rebadged as apprenticeships [and] this might meet the rules of the levy policy, but it falls well short of its spirit."[69]

One of the most common techniques used by Trailblazer employers to draw down levy funding for management training and professional development courses is to create a 'senior' version of a lower-level apprenticeship. Examples of this approach include apprenticeship standards titled 'Senior Production Chef', 'Senior Equine Groom', 'Senior Insurance Professional', 'Senior Compliance Risk Specialist' and 'Senior Healthcare Support Worker'. These roles are self-evidently not entry-level positions. Furthermore, there are vast numbers of apprenticeship standards being created for experienced members of staff at higher levels (see Table 3 overleaf), with little or no consideration for young and inexperienced learners.

The financial dynamics are, again, critical to understanding what is happening. Levy-paying employers are incentivised to use up their levy contributions as quickly as possible. This makes selecting costly management training and professional development courses aimed at existing staff a far more effective strategy than offering cheaper lower-level apprenticeships aimed at new young recruits. Meanwhile, non-levy employers have essentially been given unfettered access to 95 per cent subsidies for all these management and professional development 'apprenticeships', so it is no surprise to see them taking advantage of this opportunity.

Table 3: examples of management training and professional development courses now labelled as an 'apprenticeship'

NAME OF APPRENTICESHIP STANDARD	LEVEL
Aviation Operations Manager	4
Chartered Legal Executive	6
Chartered Manager	6
Children, Young People & Families Manager	5
Dental Practice Manager	4
Financial Services Professional	6
Healthcare Assistant Practitioner	5
Hospitality Manager	4
HR Consultant / Partner	5
Insurance Professional	4
Investment Operations Specialist	4
Learning and Development Consultant	5
Leisure Duty Manager	3
Marketing Manager	6
Operations / Departmental Manager	5
Passenger Transport Operations Manager	4
Relationship Manager (Banking)	6
Retail Manager	4
Team Leader / Supervisor	3

Inevitably, with both levy-paying and non-levy employers being heavily incentivised to relabel these training courses as 'apprenticeships' and subsequently draw down as much levy funding as possible, the sums of money being consumed by these standards has reached staggering proportions.

As shown in Table 4, the 'Team Leader / Supervisor' standard has already been allocated almost three times as much funding as the most popular low-skill apprenticeship discussed in the previous section. While the Team Leader / Supervisor standard has consumed vast amounts of levy funding due to its popularity, the 'Chartered Manager' standard has had fewer than 5,000 starts since the levy was introduced but has still managed to use up over £100 million due to the availability of £22,000 of levy funding per learner. The 'Operations / Departmental Manager' standard has also reached almost £100 million in levy funding.

Table 4: the estimated levy money allocated to the five most common management training and professional development standards[70]

NAME OF APPRENTICESHIP STANDARD	APPRENTICESHIP STARTS SINCE APRIL 2017	AVAILABLE FUNDING PER APPRENTICE	LEVY FUNDING SINCE APRIL 2017
Team Leader / Supervisor	29,805	£4,500	£134,122,500
Lead Adult Care Worker	14,980	£3,000	£44,940,000
Operations / Departmental Manager	14,136	£7,000	£98,952,000
Senior Healthcare Support Worker	4,638	£5,000	£23,190,000
Chartered Manager	4,628	£22,000	£101,816,000

In late 2018, faced with the spiralling cost of these management 'apprenticeships', the IFATE finally decided to act. They cut the maximum funding available for the Chartered Manager apprenticeship from £27,000 to £22,000 as well as cutting the maximum funding for the Operational / Departmental Manager standard from £9,000 to £7,000 and the Team Leader/ Supervisor standard from £5,000 to £4,500.[71] Needless to say, employer representatives were unhappy with the changes but the manner in which these management 'apprenticeships' have overwhelmed the funding pot generated by the levy left the IFATE with little choice. Even so, these adjustments are unlikely to be large enough to plug a financial gap of several hundred million pounds next year.

Recent government figures have only added to the concerns about how management training and professional development courses are undermining the apprenticeship brand. Almost 40 per cent of 'apprentices' in 2017/18 had already been with their employer for over a year before they started their 'apprenticeship',[72] further demonstrating how the practice of drawing down levy funding for existing employees has become widespread. A separate survey of levy-paying employers in early 2019 found that 36 per cent had used their levy contributions to upskill their existing workforce – almost the same proportion as had used it for recruiting and training new staff. In addition, 22 per cent had used it on training that would have happened anyway and 15 per cent had used it to accredit skills that existing employees already have.[73]

The quantity of training provided through some management and professional development courses is also worrying. The DfE's latest estimates show that learners on Level 5 'apprenticeships' receive an average of just 360 hours of training – a third less than even a Level 2 programme.[74] This reflects the limited additional training that these courses provide to current employees as they merely supplement existing skills rather than offering a substantial and sustained training programme for a new role, raising yet more questions about whether these programmes are an appropriate use of the apprenticeship levy.

Bachelor's degrees and Master's-level programmes

The introduction of the levy and the Trailblazer process has generated a wave of new apprenticeship standards that involve training at degree level. Standards that include a Bachelor's degree (Level 6) are often referred to as 'degree apprenticeships', while the standards at Master's level (Level 7) are a mixture of degree and non-degree programmes.

Table 5: examples of Bachelor's degree (Level 6) and Master's-level programmes (Level 7) now labelled as an 'apprenticeship'

NAME OF APPRENTICESHIP STANDARD	LEVEL
Academic Professional	7
Accountancy / Taxation Professional	7
Advanced Clinical Practitioner	7
Aerospace Engineer	6
Architect	7
Broadcast and Media Systems Engineer	6
Business To Business Sales Professional	6
Chartered Surveyor	6
Civil Engineer	6
Digital and Technology Solutions Professional	6
Food Industry Technical Professional	6
Laboratory Scientist	6
Nuclear Scientist and Nuclear Engineer	6
Police Constable	6
Project Manager	6
Registered Nurse	6
Senior Investment / Commercial Banking Professional	7
Senior Leader	7
Social Worker	6

Even though Table 5 includes several respected occupations, there are three major objections to utilising the apprenticeship levy on these programmes. First and foremost, these courses are highly unlikely to meet any established definition of an apprenticeship. They represent training courses at a level well above the vast majority of new and inexperienced recruits and, by definition, they do not focus on intermediate occupational skills. While employers may insist that these training courses are useful for their organisation, the apprenticeship brand is ultimately the loser from such practices. If the word 'apprenticeship' is forced to encompass completing a degree in Nuclear Engineering as well as entry-level training to serve food in a restaurant or complete basic office administration tasks, then 'apprenticeship' as a category ceases to have any meaning at all.

Second, there is already a mechanism in place for funding degrees: the student loan system. For the apprenticeship levy to be used up on training courses that have their own government-backed scheme specifically designed for financing studies at Bachelor's and Master's level is a highly dubious proposition. The DfE has never explained why a student should not contribute to the cost of their degree simply because it is labelled as an 'apprenticeship', when the content of the degree is almost (if not entirely) identical to the course provided to full-time students in Higher Education (HE). After all, the 'apprentice' is benefitting hugely from receiving a degree yet they are bearing none of the cost, unlike a student at university who must share the cost of their studies with the taxpayer through the loan system.

Third, the apprenticeship levy is a 'zero sum game': if one 'apprentice' receives training paid for by the levy, another learner will necessarily miss out. For the government, it is a simple question of priorities. At present, employers are responding rationally to the incentives created by the Treasury and the DfE as both levy-paying employers and non-levy employers are rapidly chasing down the available funding. This means that expensive courses such as Bachelor's degrees and Master's programmes are incredibly appealing to all employers, yet the cost of training at this level is the highest of all the forms of training now labelled as an 'apprenticeship'. Even a small number of learners at Levels 6 and 7 can consume huge sums of levy funding in a short space of time, and this pattern will only accelerate.

Table 6 illustrates the scale of the problem. The average funding allocation for the five most common 'apprenticeships' at Bachelor's and Master's level is £23,600, compared with £8,300 for the most common management training and professional development 'apprenticeships' and around £3,900 for the most common low-skill and generic 'apprenticeships'. In other words, one learner on a Bachelor's and Master's apprenticeship can use up as much funding as three learners on management training and professional development 'apprenticeships' and as much as six learners on low-skill and generic 'apprenticeships'.

Table 6: the estimated levy money allocated to the five most common Bachelor's and Master's-level standards[75]

NAME OF APPRENTICESHIP STANDARD	APPRENTICESHIP STARTS SINCE APRIL 2017	AVAILABLE FUNDING PER APPRENTICE	LEVY FUNDING SINCE APRIL 2017
Accountancy / Taxation Professional	8,278	£21,000	£173,838,000
Senior Leader	2,543	£18,000	£45,774,000
Digital and Technology Solutions Professional	2,513	£25,000	£62,825,000
Chartered Surveyor	1,826	£27,000	£49,302,000
Registered Nurse	861	£27,000	£23,247,000

Few apprenticeship standards have proved as controversial as 'Senior Leader'. Aimed at any "leader who has senior management responsibility", it claims to be suitable for Chief Operating Officers, Chief Financial Officers, Chief Executive Officers, senior military officers and Heads of Department / Faculty among others.[76] Crucially, those who train towards this standard can receive an MBA through their 'apprenticeship'. For a levy-paying employer, offering any senior employee an MBA to use up £18,000 of their levy contribution will be a tempting prospect, while non-levy employers can now effectively buy an MBA at a 95 per cent discount. Given these enticements, it is no wonder this standard has already consumed over £45 million of levy funding.

A few months after the levy commenced operation in April 2017, the *Financial Times* reported that "British business schools cannot believe their good fortune as companies look to use the levy to send executives on MBA courses", quoting Paul Baines - MBA course director at Cranfield University, one of the UK's most prestigious management schools - as saying "the apprenticeship levy creates a new opportunity for us".[77] Last year, the *Financial Times* found that the levy "has been a boon for business schools", as the majority of senior business school staff said apprenticeships were a bigger opportunity for revenue growth than income from recruitment of overseas students, short executive education programmes or online courses.[78] Anne Kiem, chief executive of the Chartered Association of Business Schools, said that her member institutions saw "huge potential" for growth in levy-funded management degree apprenticeships, including the 'Senior Leader' standard and the 'Chartered Manager' standard highlighted in the previous section.

While the self-interest of business schools in trying to maximise their revenue is understandable, the detrimental impact on the quantity of opportunities available to young people should not be underestimated. Other standards such as the 'Accountancy / Taxation Professional' have been responsible for placing a substantial burden on the apprenticeship levy, as this single standard has already used up £174 million since 2017. Like the 'Senior Leader' standard, it has been designed to capture as many potential recruits as possible by merely asserting that "Accountancy / Taxation Professionals provide financial information and advice to organisations of all types and sizes". In addition, it claims to cover roles as diverse as Financial Accountants, Management Accountants, Tax Accountants, Tax Advisers, Tax Specialists, External Auditors, Internal Auditors, Financial Analysts, Management Consultants, Forensic Accountants and Business Advisors.[79] This suspicious breadth has undoubtedly contributed to it becoming by far the most popular standard at Level 6 or 7, with over three times as many 'apprentices' as the second most popular course (see Table 6).

The improper rebadging of senior roles as 'apprenticeships' extends well beyond the world of business and finance. The 'Academic Professional' standard – designed by 23 HE institutions including the University of Oxford, the University of Durham and Imperial

College London – is an unabashed attempt by these organisations to relabel the work of university academics as an 'apprenticeship' to use up the university's own levy contributions. To illustrate the point, the standard states that these 'apprentices' will be "delivering higher education teaching and undertaking research to support the development of knowledge within their discipline" and their "primary role [is] developing and sharing knowledge with students, peers and external stakeholders".[80] The standard adds that "at entry point, individuals have considerable expertise in a particular subject discipline, usually as indicated by the completion of postgraduate level 7 or level 8 qualifications" (including a PhD), which removes any doubt about how little this standard has to do with an apprenticeship-style model of training. The latest data from the DfE shows that almost 400 academics have already started this 'apprenticeship'. Again, this is not a question of whether being a trained academic is valuable – it is a matter of whether current and highly-skilled employees should be placed ahead of young, inexperienced recruits in the queue for levy funding.

Counting the cost of 'fake apprenticeships'

As discussed in the introduction to this report, it is now an unavoidable fact that the apprenticeship levy is fast running out of money. If this was occurring because England had suddenly started developing and delivering a set of world-class apprenticeship programmes, there would be few complaints from policy experts and other independent observers. The reality could not be more different. The evidence presented in this report shows how, far from representing a positive step forward for apprenticeships in England, the swift disappearance of the funds raised by the levy is the direct result of the dilution of the apprenticeship brand through the rapid emergence of 'fake apprenticeships' – courses that have been rebadged or relabelled courses as 'apprenticeships' when they are nothing of the sort. Regrettably, it has reached the point where the apprenticeship brand itself has arguably become a meaningless concept, such is the prevalence of this rebadging and relabelling by some employers.

Table 7 shows the amount of levy funding allocated to each of the three categories of 'fake apprenticeships' described in this chapter.[81] The total value of apprenticeships started since April 2017 has reached £2.9 billion,[82] meaning that these fake apprenticeships have used up 43 per cent of the levy funding during this time. The original projections from the DfE evidently did not account for this relentless (and predictable) rise of fake apprenticeships, yet they now threaten the viability of the entire levy funding model.

Table 7: the estimated amount of levy money allocated to the different categories of 'fake apprenticeships'

TYPE OF APPRENTICESHIP STANDARD	PERCENTAGE OF APPRENTICESHIP STARTS SINCE APRIL 2017	TOTAL LEVY FUNDING ALLOCATION SINCE APRIL 2017
Low-skill and generic roles	17.6%	£235,801,000
Management training and professional development	26.3%	£550,554,500
Bachelor's degrees and Master's-level programmes	6.3%	£447,821,000
TOTAL	**50.2%**	**£1,234,176,500**

5. Is enough being done to promote high-quality apprenticeship provision?

Left unchecked, the growth in fake apprenticeships will result in a substantial overspend on the apprenticeship levy in a matter of months from now. Having considered the role of employers and universities in generating these overspends in the previous chapter, this chapter will explore how the regulation and oversight of apprenticeship training providers has contributed to this situation as well.

Training providers (historically a mixture of colleges and independent training providers) must apply to join the Register of Apprenticeship Training Providers (RoATP) if they wish to deliver apprenticeship training in England. When it was first launched, the Register aimed to "open up the market and increase competition and thereby to drive up value for money and quality".[83] The DfE stated that they would maintain "a strong focus on applicants' capability to deliver high-quality apprenticeships", which would be judged through "a range of tests in the areas of financial health, due diligence, quality, capacity and capability, differentiated according to the application route".[84]

Getting onto the RoATP is thus the main gateway to receiving funding from the apprenticeship levy, either through directly contracting with levy-paying employers or by submitting a bid for a share of a £650 million contract to deliver apprenticeships for non-levy employers. Training providers – both existing providers and potential new entrants – quickly understood the significance of a successful application to join the RoATP. In March 2017, the newly-appointed Ofsted Chief Inspector Amanda Spielman warned that it is "clear there are a lot of would be new entrants, a lot of people with very limited experience and potentially quite a lot of fragmentation".[85] This prediction turned out to be entirely accurate. The RoATP now contains around 2,500 registered providers across the country[86] - almost triple the number of providers when the levy was first announced in 2015.

Even back in 2017, it was soon apparent that the quality of some of these 2,500 training providers was likely to cause issues. The first 'early monitoring visit' by Ofsted to a new entrant to the provider market was at Key6 Group Limited, which was created in 2015 and accepted onto the RoATP in March 2017. Following their visit, Ofsted declared that the apprenticeships being provided "are not fit for purpose" and deliver "a poor standard of training". Ofsted had found that the Key6 Group had begun "swiftly recruiting apprentices in a relatively short space of time" after being added onto the RoATP and "the large majority of apprentices are not even aware that they are an apprentice, and identify themselves as studying a level five management course".[87] The apprentices told the Ofsted inspectors that they were "not learning anything new on their apprenticeship" and had been asked to "shoehorn existing work in a portfolio to get a free qualification".[88]

Unsurprisingly, this damning verdict from Ofsted meant that Key6 were banned from recruiting new apprentices. However, this ban was unexpectedly lifted by the ESFA just two months later, forcing the then Skills Minister Anne Milton to admit in front of the Education Select Committee that there was a lack of clarity in terms of who is accountable for apprenticeship quality.[89] This was eventually resolved in August 2018 when the DfE gave Ofsted the final say over poorly-performing apprenticeship providers following an early monitoring visit. Any provider deemed to be making 'insufficient progress' by Ofsted after an early monitoring visit would be barred from taking on any new apprentices – either directly or through a subcontracting arrangement.[90]

Ofsted's annual report in December 2018 aired their concerns about the scale of the challenge that both they and the apprenticeship system were now facing:

> *"The new apprenticeship levy has contributed to a huge increase in the number of providers delivering apprenticeships, doubling the numbers of independent learning providers and employer providers. While we fully support the government's goal of boosting apprenticeship numbers, we are also seeing some early warning signs of a dilution of quality. Our new monitoring visits to some of these providers have shown common issues around poor governance, low-quality teaching and not enough time for off-the-job training. The people who suffer as a result are the apprentices themselves, who finish their programme without the knowledge and skills to succeed in the workplace."* [91]

These concerns have been amply demonstrated in several reports published by Ofsted following their monitoring visits, as some new providers have failed to deliver the required standard of training:

- At 'Cogent Skills Training', inspectors found that "too many" learners were "accomplishing little more than accrediting existing skills";
- 'Moor Training' was not keeping accurate information about how many apprentices had finished or withdrawn from their training;[92]
- Apprenticeship programmes at 'EQV' were found to be "poorly planned" and leaders had focused more on getting apprentices management qualifications than completing their apprenticeship;
- Most of the apprentices at 'Manatec' were not aware they had an entitlement to off-the-job training, and almost all of them completed their training in their own time;

- At Poole Hospital NHS Foundation Trust, some learners were not clear what apprenticeship they were on, or when they were meant to finish;
- One group of Team Leader apprentices at 'WDR' were given no choice by their employer about participating in the programme; which meant high numbers had left the training early.[93]

Similar stories have continued to emerge, well over two years since the levy commenced operation. In July 2019, the early monitoring visit to Prospect Training in Yorkshire found that "too many apprentices are not aware that they are on an apprenticeship, and often their employers do not know".[94] In addition, Ofsted inspectors found that many learners "incorrectly believe they have achieved their qualification and they can now apply for jobs". It transpired that the learners had "not been given certificates as they had not completed their course, despite being told otherwise by their tutor".[95] In September 2019, it was reported that another 23 providers had been barred from recruiting new apprentices after failing their monitoring visit from Ofsted,[96] which shows that inspectors are continuing to find poor practice around the country.

Many new training providers have passed their early monitoring visits from Ofsted, so it would be wrong to assume that it is not possible to enter the apprenticeship market and deliver a good standard of training. Even so, at the time of writing, 56 new providers remain suspended from taking on new apprentices. What's more, this does not take account of the poor performance of existing training providers who subsequently joined the RoATP. Ofsted's annual report in 2018 showed that, of the 110 providers they inspected last year, only 58 per cent were rated 'Good' or 'Outstanding' for apprenticeships.[97] In their sample of 30 providers who were delivering poor-quality training, inspectors found several common problems including concerns that "the apprenticeship was accrediting skills that the apprentices already had" and "apprentices did not receive their entitlement to planned off-the-job learning."[98] These problems further illustrate how important it is for training providers to be constantly monitored to ensure that both new and existing providers are supporting their apprentices in an effective manner.

Quality assurance for higher-level apprenticeships

The challenge of monitoring the quality of apprenticeship provision has become even more daunting since the introduction of the levy. As described in the previous two chapters, there has been a dramatic and accelerating shift towards higher-level apprenticeships over the last two years. Although colleges and private training providers have historically been the bedrock of apprenticeship provision in England, this has now begun to change as over 100 universities as well as many other HE providers have joined the RoATP so that they too can access the levy funding.[99] While the uncertainty over who is responsible for inspecting lower-level apprenticeships has now largely been dealt with, there has been considerable confusion over who is responsible for regulating the provision of apprenticeships at higher levels.

When the levy began in April 2017, the DfE declared that higher-level apprenticeships would be regulated by the Higher Education Funding Council for England – now the Office for Students (OfS) – instead of Ofsted. At the time, Ofsted recognised that it had no powers to inspect Level 6 (Bachelors level) and Level 7 (Masters level) standards. However, it was decided in August 2018 that Ofsted would inspect all apprenticeships at levels two to five, even if the apprenticeship standard contains a prescribed HE qualification.[100] The problem was that the OfS maintains its own register of HE providers that is separate from the RoATP, and the OfS only has the power to monitor the providers on their own register. This meant that any provider offering a Level 6 or 7 apprenticeship that was not on the OfS's register was not being regulated by either Ofsted or the OfS.

In March 2019, Amanda Spielman said in an interview that "there are places that go completely unscrutinised because they don't come within OfS arrangements and they don't come within our space" and that "I very much hope people will see the logic in us doing it."[101] It appears that the DfE did not see the logic after all, as it was announced in June 2019 that the OfS was to be given the power to regulate Level 6 and 7 apprenticeships. The recent independent review of post-18 education, led by Dr Philip Augar, had highlighted their frustration with the current setup:

> *"At present both the OfS and Ofsted are expected to have the necessary expertise to ensure the quality assurance of apprenticeship provision which we believe is wasteful. One regulator should inspect apprenticeship provision at all levels to ensure consistency in standards and in-house expertise. We believe this should be Ofsted, thus maintaining a single knowledge hub for apprenticeship quality. This would reduce duplication and the risk of providers being overlooked. While we recognise this may not be welcome by some HEIs, we believe a sole inspection body is vital when new and untested providers are entering the market and offering provision at a variety of levels."*[102]

Despite this high-profile panel of experts calling for Ofsted to be given responsibility for inspecting apprenticeship provision at all levels, the DfE did not change their position.

The decision to put the OfS in charge of regulating higher-level apprenticeships is problematic for two reasons. First, the OfS has no expertise in regulating apprenticeships and workplace training, making them ill-suited to the task. Second, the OfS does not have the power to enter the premises of universities and other HE providers to carry out on-site inspections of the quality of their programmes, unlike Ofsted. No explanation has been put forward by the DfE as to why they opted for the OfS rather than Ofsted as the regulator of apprenticeships at higher levels, indicating that the justification for this policy is worryingly weak. Despite the OfS taking on this responsibility, progress has been slow. Even by October 2019, the OfS admitted that "no reviews have been completed" of these higher-level apprenticeship programmes over four years since some of them began, although it noted that reviews at four HE providers were "currently underway".[103]

These concerns are magnified when it comes to 'degree apprenticeships'. Because the OfS is the regulator of degree programmes, they are by default the regulator of the providers of degree apprenticeships i.e. universities. Because the OfS do not have the legal power to enter the premises of a university and directly inspect the quality of their provision, there is no way of knowing whether an apprentice undertaking a degree as part of their training is receiving a high-quality programme. As noted in the previous chapter, thousands of apprentices have already started training towards apprenticeship standards that include a degree, yet the inability of the OfS to carry out inspections means there is no external oversight of what is happening to the apprentice throughout their degree. This is particularly concerning when Ofsted has already identified numerous instances of providers not giving apprentices the required amount of off-the-job training (a minimum of 20% of their apprenticeship i.e. one day a week). It is hard to have confidence in a quality assurance system that places so little emphasis on ensuring that all apprentices receive the best possible training and support and that their apprenticeship is delivered in line with government regulations.

6. Recommendations

This report has shown how the apprenticeship levy generates a sizeable funding pot for employers and training providers, yet the way that this funding has been (and continues to be) used is proving controversial. This chapter will outline a package of reforms that seek to address the three fundamental flaws in both the levy itself and the wider apprenticeship programme that have been discussed throughout the report. These flaws can be summarised as follows:

- The failure to accurately define what is meant by an 'apprenticeship'
- The lack of clarity over the purpose and goal of the apprenticeship levy
- Confusion over the funding and quality assurance of apprenticeships

The recommendations in this report will therefore focus on addressing each of these issues in turn under the following headings:

- Introducing a world-class definition of an 'apprenticeship'
- Setting a new vision and objective for the levy
- Revising the funding and regulatory framework

Introducing a world-class definition of an 'apprenticeship'

RECOMMENDATION 1
The Department for Education should introduce a new definition of an 'apprenticeship' that is benchmarked against the best apprenticeship systems in the world.

If politicians and stakeholders want apprenticeships and technical education more broadly to be taken seriously by young people and parents, the current approach of allowing employers to label almost any of their preferred training courses as 'apprenticeships' is not tenable. This report has documented a wide range of examples in which employers have used this flexibility to take advantage of the laxity in the government's definition of an 'apprenticeship' for their own financial gain. This has been a significant factor in the rapid disappearance of the funding generated by the apprenticeship levy. The best way to protect against this undesirable behaviour from some employers is to introduce a robust, rigorous and internationally benchmarked definition of an apprenticeship, against which all existing and new apprenticeship standards should be judged.

To illustrate the urgency of this recommendation, an OECD report in 2017 on the costs and benefits of apprenticeships was in no doubt that the most respected apprenticeship systems in the world do not allow any low-level or inappropriate training courses to be called an 'apprenticeship':

> *"…apprentices who undertake only unskilled work learn few new skills …[and] in these circumstances, there may be a high dropout rate from apprenticeship programmes, and students will tend to shun apprenticeships. In the long run, even just a small proportion of low-quality apprenticeships can damage the overall reputation and 'brand' of apprenticeships."* [104]

This need to protect the brand and reputation of apprenticeships is vital to any attempt to reinstate this method of training as a respected and trusted option for young people in this country. It is therefore proposed that a new definition of an apprenticeship – designed by this author in 2018[105] - is adopted by the government (see Box 3), as it builds on the definitions from the ILO and OECD discussed earlier in this report.

BOX 3: PROPOSED NEW DEFINITION OF AN APPRENTICESHIP

'Apprenticeship' refers to an education and training programme that combines vocational education with work-based learning in relation to entry into a new skilled occupation or trade. It follows a systematic programme that utilises both on- and off-the-job training.

On completing an apprenticeship, the apprentice will be fully competent in their occupation, which means that they will be able to:

- Operate independently in the workplace;
- Take responsibility for initiating and completing tasks and procedures;
- Use their factual, procedural and theoretical understanding to complete tasks and address problems;
- Exercise autonomy and sound judgement to deliver complex and non-routine work;
- Investigate and review the methods used by them and others in the workplace.

There are three reasons why this new definition will help to build up the reputation of apprenticeships in England. First, low-skill and generic roles are excluded by this definition because it requires apprentices to be able to complete complex and non-routine work by themselves with little or no supervision. Second, management training and professional development courses will also be rejected because they are not related to entering skilled occupations nor do they always require extensive off-the-job training. Third, Bachelor's and Master's degrees are academic pursuits that often do not relate to entering a skilled occupation or trade and they are not directly related to training individuals in the workplace.

RECOMMENDATION 2
The Department for Education should restrict the use of the term 'apprenticeship' to training at Level 3 only.

The proposed new definition of an apprenticeship makes it clear that this form of training is specific to those becoming competent in a new skilled occupation and performing at an 'intermediate' level i.e. above routine work but without advanced skills or senior responsibilities in the workplace. As a result, it meets the definition of a Level 3 programme as described by the examination regulator Ofqual.[106]

England cannot ever hope to have a respected apprenticeship system unless it focuses its efforts on ensuring that all apprentices reach Level 3 by the end of their training. At present, 30 per cent of 'apprentices' in England are on a Level 2 course, yet the Social Mobility Commission found that only a quarter of Level 2 apprentices progress onto a Level 3 course.[107] That is not to say all training at Level 2 is unhelpful or unnecessary, rather that all apprenticeships must continue up to Level 3 even if the training begins at a more basic and introductory level.

The vast majority of established apprenticeship systems in other countries already use Level 3 as their benchmark. The aforementioned OECD report in 2017 defined apprenticeships as a programme that lasts for two years in the final stage of secondary education or straddles the boundary between upper secondary and post-secondary education,[108] with 80-100 per cent of apprentices in Australia, Austria, Denmark, Norway, Germany and the Netherlands being taught at upper secondary level.[109] Such clarity of purpose and function is in stark contrast to the confused and disjointed approach in England, which is one of the main reasons why our apprenticeship system continues to lag behind other countries in terms of its credibility and esteem. The same problem emerges with the length of apprenticeship programmes, as they are woefully short in England (a minimum of just 12 months; average of 18 months) compared to other countries, as shown in Table 8.[110]

Table 8: the length of apprenticeship training programmes in other countries

COUNTRY	LENGTH OF APPRENTICESHIPS
Austria	3 - 4 years
Denmark	3.5 - 4 years
Germany	2 - 3.5 years
Netherlands	2 - 4 years
Norway	Mostly 4 years
Sweden	3 years
Switzerland	3 - 4 years

Allowing the proliferation of Level 2 'apprenticeships', some of which are nothing more than short and generic training courses, has driven down the length of apprenticeships in England to the point where many of the Level 2 standards would not even be recognised abroad. The latest figures from the IFATE show that approximately a third of all apprenticeship standards offer training of less than two years in duration, with almost 100 standards offering just 12 months of training. Removing the option of finishing an apprenticeship at Level 2 will address this uncomfortable feature of apprenticeships in England. As discussed earlier in this report, removing the 'vertical differentiation' between Level 2 and 3 standards in the same occupations will go some way to enacting this change with minimal disruption. If other Level 2 standards do not have a Level 3 equivalent then they should be expanded or withdrawn.

Setting a new vision and objective for the levy

RECOMMENDATION 3
The apprenticeship levy should be renamed the 'Technical and Professional Education Levy' and all work-based learning from Level 4 to Level 7 should be renamed 'Technical and Professional Education' (TPE).

Numerous employers and their representatives such as the CBI,[111] the Local Government Association, the Federation of Master Builders and Universities UK[112] have campaigned for the apprenticeship levy to be made more 'flexible' so that it covers a wider range of training beyond apprenticeships. Given that the funding is about to run out thanks to the existing rules, it would be unwise to create additional flexibilities under the current levy model. That said, the recommendations in this report seek to craft a new vision and objective for the levy, and having a wider conception of the value of training and upskilling is an important part of this. It is therefore proposed that, as a first step in rethinking the apprenticeship levy, it should be renamed the 'Technical and Professional Education Levy'.

Following this change and the new role for apprenticeships as a Level 3 training programme, current and future 'apprenticeship standards' at higher levels (4-7) will be renamed as 'technical and professional education (TPE) standards' instead. This includes management training, technical programmes and professional development courses. Referring to these programmes as TPE is a more accurate reflection of the nature of higher-level training as a tool for workforce development as opposed to an apprenticeship that is specifically designed to help individuals enter an occupation at an intermediate level. Ideally, the new TPE programmes would link to the 'occupational maps' that are overseen by the IFATE.

RECOMMENDATION 4

Bachelor's degrees and Master's-level courses that have been labelled as 'apprenticeships' should be excluded from the scope of the TPE levy.

This report has demonstrated how Bachelor's degrees (Level 6) and Master's-level courses (Level 7) that have been rebadged as 'apprenticeships' are consuming vast amounts of levy funding. Individual standards are using up tens of millions and their collective impact is even more concerning. This cannot be allowed to continue if the levy is to operate in a sustainable manner. Given that there is already a widely understood and broadly successful funding mechanism in place for Bachelor's and Master's degrees in the form of student loans, plus the serious funding crisis now facing the levy, these courses should be excluded from accessing levy funding in future.

RECOMMENDATION 5

The existing co-payment rate of 5 per cent for apprenticeships should be replaced by a tiered co-payment rate for all TPE programmes from Levels 3 to 6, starting at 0% co-payment for apprenticeships at Level 3 up to a 75% co-payment for Level 6 programmes.

Even after the exclusion of Bachelor's and Master's programmes from the TPE levy, more work needs to be done to place the levy on a stable footing. Not only have Bachelor's and Master's courses been an enormous drain on the levy, other higher-level 'apprenticeships' at Level 4 and 5 have caused similar problems – particularly the rising number of management training and professional development courses. Now that the apprenticeship levy has been redesigned as the TPE levy, there is a reasonable case to continue subsidising training at these levels. Nevertheless, simply continuing with the existing funding regime for these courses will not suffice if the TPE levy is to operate more sustainably than its predecessor.

At present, levy-paying employers can draw down the maximum available funding for each apprenticeship standard that they deliver, and should they use up all their levy contribution they face a co-payment rate of 5 per cent for any additional apprenticeships. Non-levy employers also have a co-payment rate of 5 per cent for all their apprenticeships. This means that all employers, both levy and non-levy, are incentivised to use up the levy funding on higher-level 'apprenticeships' instead of training new (and often younger) recruits. As the levy funding is a zero-sum game, this means that older and more experienced employees are benefitting more than young people from the current arrangements. This trend is unjustifiable in the context of seeking to build a high-quality TPE system.

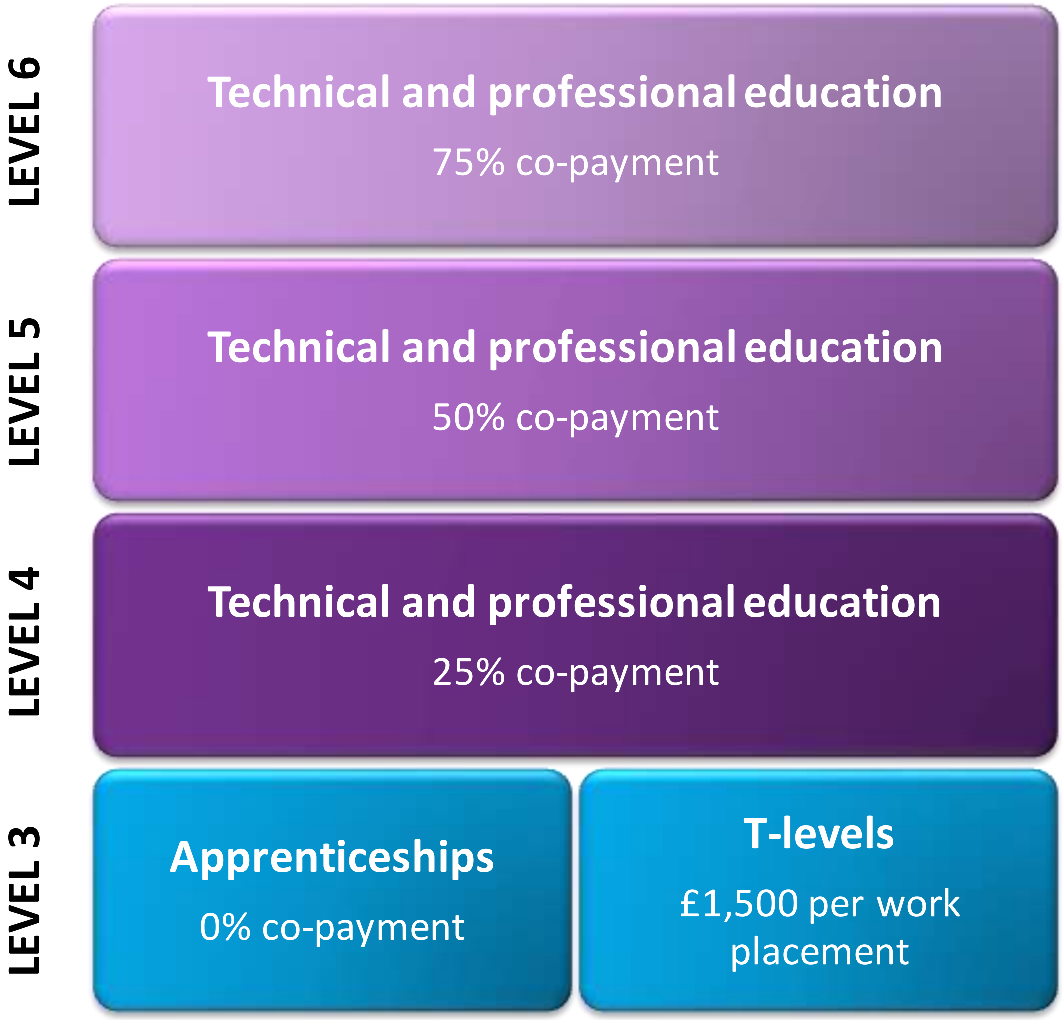
It is proposed that the existing co-payment rate of 5 per cent as well as the ability of levy-payers to draw down the full cost of their apprenticeships should be replaced by a tiered co-payment model for all TPE programmes from Level 3 up to Level 6. The new co-payment rates will operate as follows:

- Level 3 (apprenticeships only): **0%** co-payment from employers
- Level 4: **25%** co-payment from employers
- Level 5: **50%** co-payment from employers
- Level 6: **75%** co-payment from employers

This tapering of the co-payment from employers is intended to reflect the changing level of responsibility that employers should accept when training employees. For new recruits at Level 3, the government should take full responsibility for these individuals, in the same way that they fully-fund A-levels at Level 3 for young people in schools and colleges. However, as employees become more experienced, employers should take on a greater burden in terms of their financial commitment to training their staff – hence the increasing rate of co-payment for higher-level TPE programmes. This will ensure that employers of all sizes, levy-payers or otherwise, prioritise training new and younger recruits in their workforce while still receiving some financial support for training older and more knowledgeable workers.

Figure 4 captures the full range of recommendations outlined thus far. This new approach will refocus employers and training providers on supporting the youngest and least experienced workers in every sector of the economy. In addition, this author has previously proposed that levy-paying employers should be allowed to draw down £1,500 of their levy contributions to fund each work placement required by the new 'T-levels' starting in 2020.[113] This proposal fits well with the new TPE levy as it brings classroom-based technical education at Level 3 within the scope of TPE alongside apprenticeships. It is also worth considering opening this opportunity to non-levy employers, so that they can provide more work placements as well.

Figure 4: the new model for employers to access financial support from the Technical and Professional Education Levy



Aside from the conceptual shift towards younger and less experienced employees, this new co-payment model will generate considerable savings for the Treasury. Table 9 (overleaf) estimates what would have happened to the previous expenditure under the levy if the proposals in this report had been implemented from the outset. This includes removing low-skill and generic roles from the whole TPE system, switching any 'apprenticeship' standards at Levels 4 to 6 that do not include degree programmes to the new tiered co-payment rates and eliminating Bachelor's and Master's programmes from the scope of the TPE levy.

Table 9: estimated savings from the recommendations in this report in terms of spending since the levy was introduced (2017-2019)[114]

RECOMMENDATION	ESTIMATED SAVINGS
Removing all low-skill and generic roles from the new apprenticeship system at Level 3	£ 235,801,000
Introducing a new 25% co-payment rate for all TPE programmes at Level 4	£ 55,393,250
Introducing a new 50% co-payment rate for all TPE programmes at Level 5	£ 105,816,000
Introducing a new 75% co-payment rate for all TPE programmes at Level 6	£ 18,339,750
Removing all Bachelor's degrees and Master's-level programmes from the TPE levy	£ 550,543,000
TOTAL SAVINGS	**£ 965,893,000**

The savings of almost £1 billion equate to exactly one-third of the total spending from the apprenticeship levy since April 2017, which demonstrates the magnitude of these recommendations regarding the sustainability of the new TPE system.

Improving the funding and regulatory framework

RECOMMENDATION 6
The current system of 30 'funding bands' from £1,500 to £27,000 should be replaced by five 'price groups' for apprenticeships at Level 3 and higher-level TPE programmes.

The way that the IFATE allocates different apprenticeship standards to one of its 30 'funding bands' has been the source of controversy and frustration from employers on numerous occasions since the levy was introduced.[115] The IFATE has repeatedly refused to release precise details of the judgements it makes on individual standards, leaving employers and training providers in the dark about what might have caused any changes to a standard's funding band. Trailblazer employers have accused the IFATE of making decisions that are "[not] based on evidence and on a formal, transparent process".[116]

In response, the IFATE has frequently promised to be more open and share more information with employers about their decisions, but this has done little to reduce the dissatisfaction and dismay that many Trailblazer groups have experienced in recent years.

According to the IFATE website,[117] decisions about funding bands are made using the following information:

- Quotes about delivery and assessment costs from training providers and assessment organisations ("*We assume that all quotes provided are for high quality training and assessment. On this basis, the lowest …quote is taken forward to the next step, to provide value for money*.")
- "*Review of training and assessment costs*" using "*market prices at RoATP approved organisations*" as well as the costs of any relevant 'apprenticeship frameworks' that were replaced by the new apprenticeship standards
- "*Comparison with Institute approved apprenticeship standards*" ("*a full review of other apprenticeship standards with similar characteristics is then conducted*")
- "*Consideration of affordability of apprenticeship programme*" ("*The model considers the number of apprenticeship starts, the distribution of these starts across the occupational map and the particular characteristics of individual standards*.")

Such a convoluted process was never likely to impress stakeholders. It also suggests that funding band decisions can bear little relation to the actual cost of delivering each standard, particularly if a more popular standard threatens the 'affordability' of the apprenticeship programme. Moreover, the cost of delivering the standard is based on quotes submitted by training providers, as the IFATE does not collect any independent information on delivery costs. This means that the IFATE has no way of verifying what training providers put forward or, alternatively, making their own informed judgements about costs. A simpler and more robust approach is needed, and an obvious candidate is the way that HE supports different subjects.

The cost of delivering HE courses such as degrees is typically met through charging tuition fees to students, which are in turn supported by the student loan system. That said, the DfE provides additional funding for courses that cost more than the maximum fee of £9,250 a year. As the OfS explain, the amount of additional funding is determined by assigning 'subject areas' i.e. groups of similar subjects to one of five 'price groups'[118] (Table 10).

Table 10: the high-cost teaching grants per full-time student provided by the DfE for different HE subject areas in 2019-20

PRICE GROUP	SUBJECT AREAS	ADDITIONAL FUNDING
A	Medicine, dentistry and veterinary science	£10,000
B	Laboratory-based science, engineering and technology subjects	£1,500
C1	Intermediate-cost subjects e.g. archaeology, creative arts, computer software engineering and media studies	£250
C2	Other intermediate-cost subjects with a laboratory, studio or fieldwork element e.g. geography, languages or psychology	£0
D	Classroom-based subjects such as humanities, business or social sciences	£0

There is little or no debate about individual HE subjects because they are grouped together into subject areas and then assigned to the price group that best reflects their method of delivery. This approach is a fairer and more defensible way to support different subjects than the subjective and opaque decisions being made by the IFATE about apprenticeship standards. It is therefore recommended that the DfE introduce a similar model for funding apprenticeships and TPE programmes at higher levels using the methodology employed for HE courses. An example of how this could operate, which is provided for purely illustrative purposes, is shown in Table 11 below.

Table 11: illustrating a new approach for funding apprenticeships and TPE using five 'price groups' instead of funding bands

PRCE GROUP	DESCRIPTION	EXAMPLE	INDICATIVE FUNDING
A	High cost technical / laboratory training	Marine Engineer	£25,000
B	Medium cost technical / laboratory training	Nuclear Technician	£20,000
C	Low cost technical / studio training	Software Developer	£15,000
D	Trade and craft occupations	Plasterer	£10,000
E	Low cost service / classroom training	Operations Manager	£5,000

This type of approach would simplify the funding system for apprenticeships and TPE programmes at all levels. Moreover, it would largely negate the acrimonious conversations that take place around almost every funding band decision that the IFATE makes at present because the mode of delivering a programme is much less open to debate than the current system of setting and reviewing bands. For example, a classroom-based course such as management training is far cheaper to design and deliver than a training course based in a manufacturing or scientific setting, which is why management training should be allocated to the lowest price group and high-cost technical programmes should be allocated to the highest groups.

It is not possible to model the full impact of this move to 'price groups' across several hundred standards because the content and mode of delivery would need to be reassessed for each individual standard. Nevertheless, the savings are likely to be considerable given that some low-cost courses, particularly in management training, appear to be overfunded at present.

RECOMMENDATION 7

The 10 per cent 'top up' invested by government in the HMRC digital accounts of levy-paying employers should be withdrawn.

Aside from the savings generated by moving to a 'price group' funding model for the TPE levy and introducing tiered co-payments, another obvious candidate for making the levy more financially sustainable is to remove the 10 per cent 'top up' that levy-paying employers receive from the government in their HMRC digital account in addition to their own levy contributions.

No policy justification was ever provided for this 'top up', which has been in place since the levy began in April 2017, yet the cost to government of topping-up every levy account in this way will have been considerable. If employers contribute, as predicted, around £3 billion a year in 2019/20 because of the levy, this would necessitate the Treasury contributing an additional £300 million into the accounts of levy-paying employers for no obvious benefit. In light of the serious questions over the viability of the current funding model for apprenticeships and TPE as a whole, this report recommends that the 10 per cent 'top up' is withdrawn immediately.

RECOMMENDATION 8

Ofsted should be made the sole regulator for any apprenticeships and technical and professional education funded by the new TPE levy, including provision in universities.

This report has documented how the decision to put the OfS in charge of quality assurance for 'apprenticeships' at higher levels was incorrect and risks undermining any attempt to ensure that every apprentice receives the support they need to complete their training. In the new model proposed by this report, apprenticeships will continue to be subject to Ofsted inspections as they are now exclusively Level 3 programmes. In addition, this report recommends that responsibility for inspecting all TPE programmes funded by the new TPE levy should also be given to Ofsted as they are the only regulator capable of monitoring the quality of on-site provision for apprentices. This includes Ofsted being able to inspect provision in universities as well as colleges and independent training providers.

The OfS does not have the necessary experience or legal powers to protect the interests of learners on TPE programmes, which is why putting Ofsted in charge of inspecting all programmes funded by the TPE levy is the only suitable choice. The independent review of post-18 education by Philip Augar have already called for this policy change, and this report has no hesitation in supporting the same position.

7. Areas for further consideration

Interaction between HE funding and the TPE levy

Despite its focus on reforming the apprenticeship levy and the wider apprenticeship programme, the implications of this report for the funding of tertiary (post-18) education are potentially significant. For example, vocational qualifications such as Higher National Certificates (HNCs) and Higher National Diplomas (HND) currently sit within the HE funding regime, yet they bear a strong resemblance to some of the training that would now be classed as TPE following the implementation of the proposals in this report.

Although a full investigation of the potential interaction between HE funding and the new TPE levy is beyond the scope of this report, coherence is an essential feature of any effective approach to funding vocational education in its broadest sense. This need for coherence was a major factor in the decision to recommend that Bachelor's degrees and Master's-level training are removed from the TPE levy, as they are HE courses and should be funded accordingly. It is therefore worth considering the possibility that some sub-degree programmes currently funded by student loans may be better suited to the TPE levy instead.

Using the TPE levy to support 'shortage occupations'

This report has called for the removal of all Bachelor's degree and Master's-level training from the new TPE levy to save hundreds of millions in levy funding. However, the UK continues to struggle with a dearth of qualified workers in particular occupations, as outlined by the Migration Advisory Committee in their 'shortage occupation list'.[119] For example, Civil Engineers and Nurses are listed as 'shortage occupations' and they also have Bachelor's degrees available through the apprenticeship system at present – attracting 699 and 861 'apprentices' respectively since 2017.

It may be worth opening up the new TPE levy to pay for training workers up to degree level in a tightly controlled list of 'shortage occupations'. Inevitably this would have cost implications for the Treasury and would reduce the savings outlined in this report (the two degrees for Civil Engineering and Nursing have already used up over £41 million in levy funding). Even so, this type of flexibility could ensure that exceptions are made for funding TPE at higher levels to support our economy in a targeted and time-limited manner.

Pre-apprenticeship training

The proposal in this report to remove all stand-alone Level 2 courses from the apprenticeship system inevitably raises the question of what should sit below Level 3 apprenticeships in future. The Richard Review in 2012 proposed a new approach:

> *"We must recognise, going forward, that not all learners who want to do an apprenticeship will be ready to become an apprentice straightaway or will be attractive to a prospective employer – all the more so if apprenticeships are increasingly focussed on relatively higher skilled jobs. …Some learners, particularly younger ones or the long term unemployed, may need to learn the softer skills that will make them employable before they are ready to start an apprenticeship. A significant new offer should be introduced to support young people's transition into work, developing their employability skills, and where relevant, preparing them for a high skilled apprenticeship. The new programme – 'traineeships' perhaps - should replace existing apprenticeships where they are linked to lower skilled jobs."* [120]

'Traineeships' were indeed created in 2013 to fill this gap, attracting around 20,000 learners a year since they began.[121] These Traineeships last from six weeks to six months and were introduced to provide 16 to 24-year-olds with English and maths tuition, work experience and work preparation training. The official evaluation of Traineeships published in June 2019 showed that approximately 75 per cent of trainees were in an apprenticeship, further learning or employment within 12 months of completing their course, which was significantly higher than learners who had not completed a Traineeship.[122]

Last year's OECD report on apprenticeships in England noted that this type of 'pre-apprenticeship' programme is common in other countries, with Switzerland and Germany having particularly popular schemes, and there was "a strong argument in principle for expanding and developing pre-apprenticeships" in this country.[123] This report endorses such an approach as it will expand opportunities for young people, especially those from disadvantaged backgrounds, to access high-skill apprenticeships. It will also have the added benefit of maintaining absolute clarity over the role of apprenticeships within our education system as an entry route into skilled occupations at Level 3. The 'transition year' that is supposed to be offered to 16 to 19-year-olds who are not yet ready to start a T-level from next year has still not been finalised,[124] but it may eventually offer another avenue for supporting learners who need a further period of education and training before accessing Level 3 programmes.

The Institute for Apprenticeships and Technical Education

Throughout this report, it has become clear that the IFATE has caused more problems than it has solved. Far from being a permanent fixture in our education and skills system, the IFATE only formally began operating when the levy commenced in April 2017. Since then, it has not impressed many stakeholders. A recent House of Lords committee concluded that the best course of action was to scrap the IFATE altogether[125] while the Education Select Committee noted in 2018 that the IFATE "has appeared more successful at uniting stakeholders in opposition than anything else".[126]

The underwhelming performance of the IFATE contrasts with the more collaborative and constructive approach developed by the 'social partnership' model used by the UK Commission for Employment and Skills (UKCES) as a non-departmental public body that provided advice on skills and employment policy to the UK Government and the devolved administrations from 2008 to 2016. The UKCES was chaired by Sir Charlie Mayfield, Chairman of the John Lewis Partnership, and overseen by a group of 30 'Commissioners' who were a mixture of businessmen and women, trade union representatives and education, employment and skills experts. This shared ownership of its actions made the UKCES a widely supported organisation that provided a crucial interface between government and the education and skills system – something that the IFATE is either unable or unwilling to replicate.

In February 2019, this author outlined several changes that are urgently needed if the IFATE is to earn the trust and respect of stakeholders.[127] The governance of IFATE would need to be changed so that it is more in line with the UKCES model. This would mean guaranteeing representation from business groups, trade unions, leading academics and other experts. Moreover, the DfE would need to alter the legal remit of the IFATE to give it following goals:

- Delivering technical education programmes at all levels that are benchmarked against the best systems in the world;
- Improving the productivity and progression of those in work;
- Ensuring that technical education programmes keep pace with wider economic and technological changes;
- Providing advice to ministers in the UK Government and devolved administrations on current and future arrangements for organising and delivering technical education.

These changes would not resolve all the issues created by the IFATE but, when combined with the other proposals in this report, it would place it on a more credible and valued path. At present, the IFATE is the wrong organisation with the wrong remit and run by the wrong people. Consequently, only substantial changes will make it worth saving.

Conclusion

> *"Today we bundle a number of different activities into the apprenticeship programme, unnecessarily complicating the system, diluting the brand, reducing value for money, and at times detracting apprenticeships, and those who are involved in offering them, from their core purpose and from where they can make the greatest impact. Going forward, we must create a clear and common understanding about what is and is not an apprenticeship."* [128]

Over seven years after the Richard Review was published, its core beliefs remain just as relevant now as they were back in 2012. It is both concerning and disappointing that, far from addressing the issues that the Review raised, the reforms to apprenticeships since 2012 have in many respects made the situation worse. The apprenticeship system and its accompanying levy are unnecessarily complicated, the 'apprenticeship' brand has been diluted to the point of becoming almost meaningless, value for money has deteriorated as 'deadweight costs' have risen exponentially and there is no clear or common understanding about what an 'apprenticeship' is and what it is not.

This report has described numerous troubling aspects of the apprenticeship levy in its current form. The incentives it has created for levy-paying and non-levy employers are at best misguided, and at worst simply inappropriate. What's more, the detrimental effect of the levy on the quality of apprenticeships shows no sign of abating, as employers continue to search for new ways to rebadge and relabel training courses as 'apprenticeships' and the DfE (and, more recently, the IFATE) has not done enough to eradicate this behaviour. The weak quality assurance of apprenticeship provision merely compounds this unwelcome situation.

Since 2017, government ministers have been reticent to intervene as they continued to hope that employers and training providers would find a way to make the apprenticeship levy succeed. The evidence from the last two years presented in this report shows that this approach has failed. The looming prospect of overspending on the apprenticeship budget by hundreds of millions of pounds means that ministers now have no choice but to intervene, yet remedial action of the wrong kind could do more harm than good. As a result, the recommendations in this report present a credible, evidence-based package of reforms that can bring down the cost of delivering apprenticeships while still supporting the drive towards a world-class technical education system and a productive workforce and economy. In policy and financial terms, the apprenticeship levy must change course, and this report explains how it can be done.

Appendix

List of low-skill and generic roles in the apprenticeship system

These apprenticeship standards have been rejected for one or more of the following reasons:

- *They do not represent a skilled and/or discrete occupation*
- *The training required to perform the role takes less than 12 months*
- *There is an equivalent standard at Level 3 that represents occupational competence*
- *The learner will only be trained to perform routine tasks and activities*

Aviation Ground Operative
Building Services Engineering Installer
Business Administrator
Cabin Crew
Credit Controller / Collector
Customer Service Practitioner
Engineering Operative
Event Assistant
Financial Services Customer Adviser
Food and Drink Process Operator
Healthcare Science Assistant
Healthcare Support Worker
Hospitality Team Member
Housing / Property Management Assistant
Investment Operations Administrator
Junior Estate Agent
Land-Based Service Engineer
Non-Destructive Testing (Ndt) Operator
Optical Assistant
Passenger Transport Onboard & Station Team Member
Port Operative
Property Maintenance Operative
Rail Engineering Operative
Recruitment Resourcer
Retailer
Science Manufacturing Process Operative
Supply Chain Operator
Waste Resource Operative

List of management training and professional development courses in the apprenticeship system that have recorded starts

Advanced Butcher
Aviation Operations Manager
Chartered Legal Executive
Chartered Manager (degree)
Children, Young People & Families Manager
Dental Practice Manager
Dental Technician
Facilities Manager
Financial Services Professional
Healthcare Assistant Practitioner
Hospitality Manager
Hr Consultant / Partner
Improvement Practitioner
Improvement Specialist
Insurance Professional
Investment Operations Specialist
Lead Adult Care Worker
Learning and Development Consultant / Business Partner
Learning and Skills Teacher
Leisure Duty Manager
Licensed Conveyancer
Marketing Manager
Operations / Departmental Manager
Passenger Transport Operations Manager
Rail Engineering Advanced Technician
Relationship Manager (Banking)
Retail Manager
Senior Compliance / Risk Specialist
Senior Equine Groom
Senior Financial Services Customer Adviser
Senior Healthcare Support Worker
Senior Housing / Property Management
Senior Insurance Professional
Senior Production Chef
Software Developer
Supply Chain Practitioner (Fast Moving Consumer Goods)
Teacher
Team Leader / Supervisor

List of Bachelor's degrees and Master's degrees in the apprenticeship system that have recorded starts

Academic Professional
Accountancy / Taxation Professional
Actuary
Advanced Clinical Practitioner
Aerospace Engineer
Aerospace Software Development Engineer
Architect
Architectural Assistant
Broadcast and Media Systems Engineer
Building Services Design Engineer
Business To Business Sales Professional
Chartered Surveyor
Civil Engineer
Control / Technical Support Engineer
Digital and Technology Solutions Professional
Digital Marketer Integrated Degree
Electrical / Electronic Technical Support Engineer
Embedded Electronic Systems Design and Development Engineer
Food and Drink Advanced Engineer
Food Industry Technical Professional
Healthcare Science Practitioner
Internal Audit Professional
Laboratory Scientist
Manufacturing Engineer
Non-Destructive Testing Engineer
Nuclear Scientist and Nuclear Engineer
Operating Department Practitioner
Police Constable
Power Engineer
Product Design and Development Engineer
Project Manager
Registered Nurse (Nmc 2010)
Science Industry Process/Plant Engineer
Senior / Head Of Facilities Management
Senior Investment / Commercial Banking Professional
Senior Leader
Social Worker

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