

# Up to the job?

## Using the Apprenticeship Levy to tackle educational opportunity

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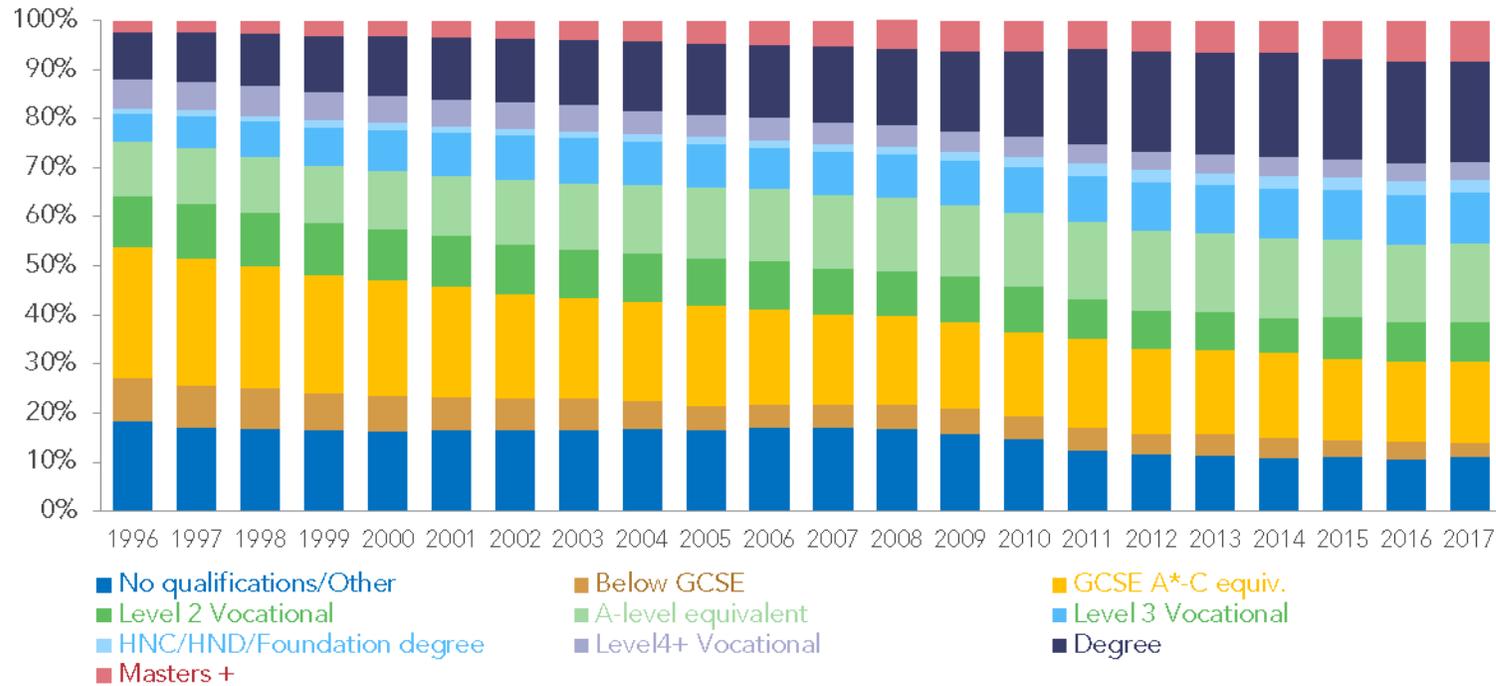
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# UK qualification levels have been steadily rising



Highest qualification held, 22-35 year-olds in the UK, 1996-2017



Source: Labour Force Survey

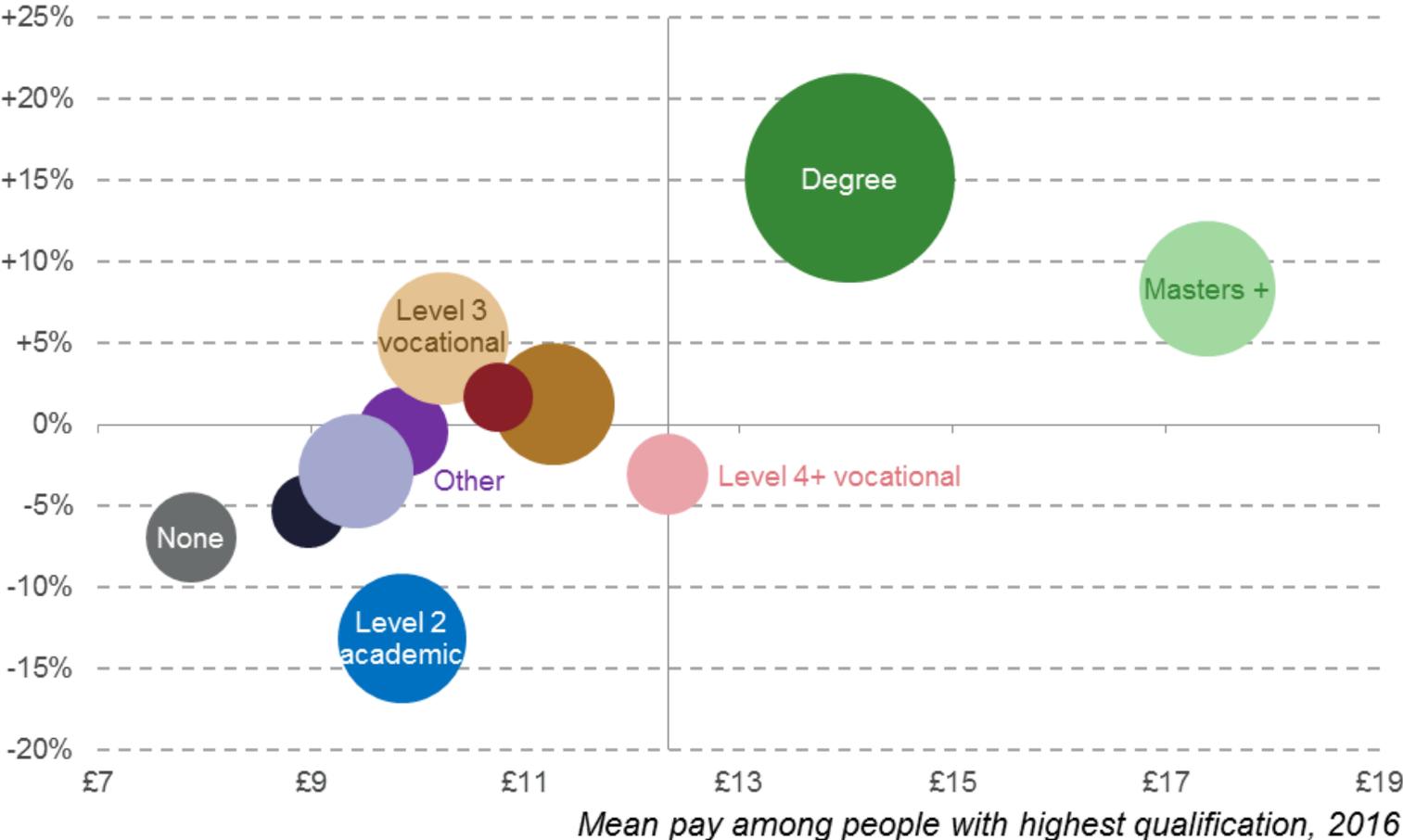
Qualification levels have shifted strongly towards the top and away from the bottom over the past 20 years

The proportion of those with below Level 2 qualifications (including none) more than halved, while the proportion with degrees+ more than doubled

# ...Likely driven by both higher pay associated with degrees...



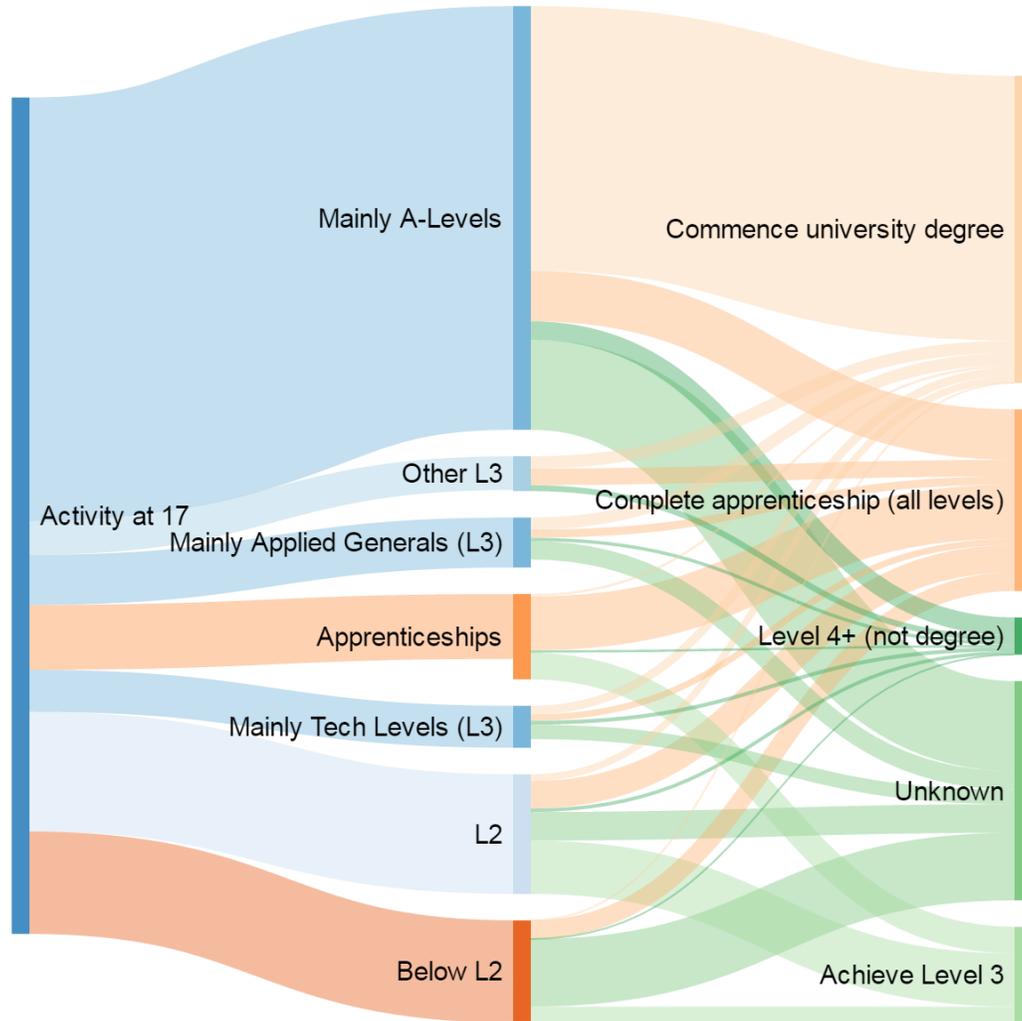
Change in share of population holding as highest qualification, 1996-2016



The increased share of the population holding degrees and above (and the associated fall in the proportion with no or Level 2 only qualifications) has helped to support an overall increase in average pay

Source: Labour Force Survey

# ...And the fact that things are much less clear outside of the A-level to university route



While a majority of those who study A-levels at 17 embark on a clear pathway to university by age 20, those who study other types of Level 3 and indeed Level 2 and below courses are offered no clear pathway between school and work

*Data derived from Hupkau et. al. 2016; outcome figures for each activity at 17 do not add to 100%: some students will have embarked on multiple activities at age 17 (e.g. BTEC and A-Level) and others may have more than one achievement by age 20*



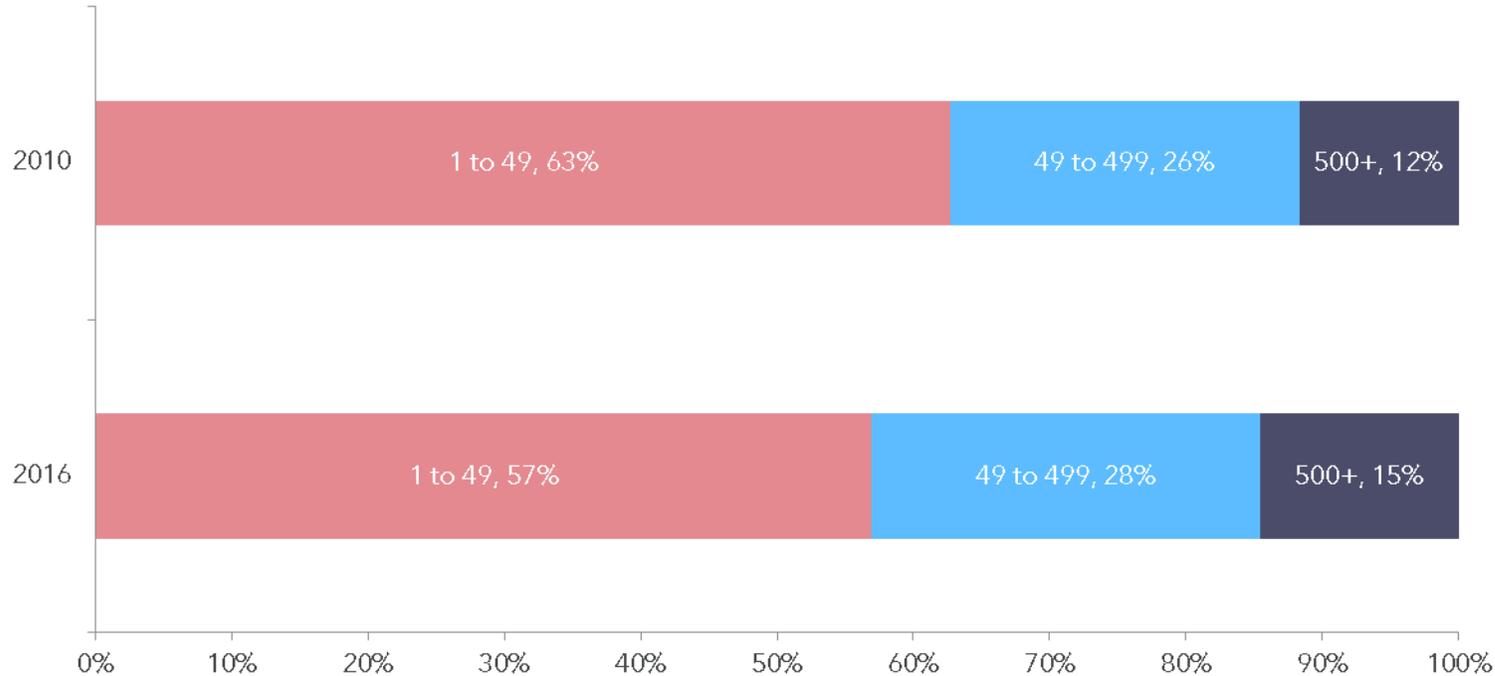
But as the previous chart illustrated, fewer than half of young people move onto university at age 18. What are their options?

- Apprenticeships and technical education
  - Back in April, a Resolution Foundation publication welcomed the apprenticeships reform (including the levy) and the Skills Plan's fifteen new pathways.
  - We highlighted a number of themes which the government must have in mind as it rolls out both reforms, including:
    - Quantity: more intermediate and higher-level technical provision
    - Quality: higher quality qualifications providing clear signals to employers
    - Clarity: clear routes and qualifications that will be understood by students and employers

# Quantity: The Apprenticeship Levy should incentivise growth but it's unclear whether all levy payers will be keen to hire apprentices



Apprenticeship participation by employer size, 2010 and 2016



Source: Labour Force Survey

We also tried to estimate where the levy and wider apprenticeship reforms would take us

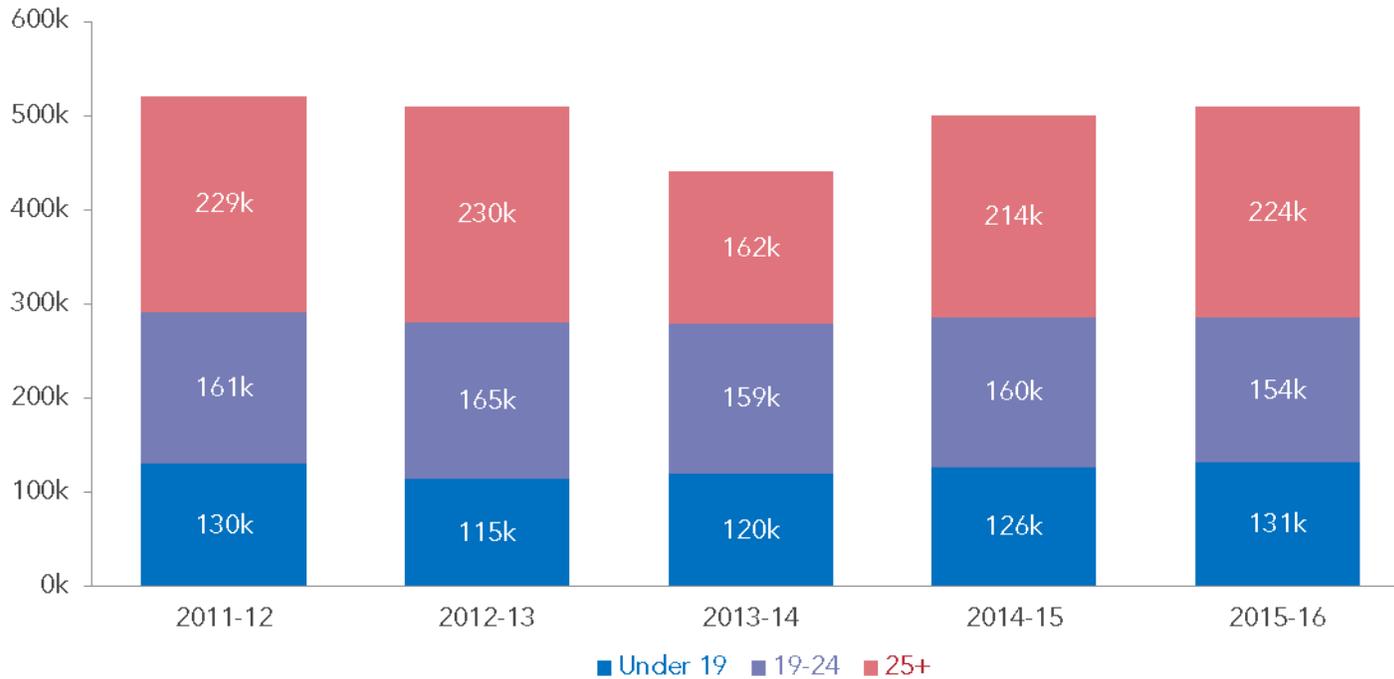
We said numbers would rise, but due to the levy funding system, we could see a shift in the number of apprenticeship starts moving from smaller (non-levy payers) to larger (levy-paying) employers

Shift already (somewhat) underway and the levy may accelerate this

# Quantity: Potential that expansion is driven up by people age 25+ taking up apprenticeships



Apprenticeship starts by age, 2011-12 to 2015-16



Source: Department for Education

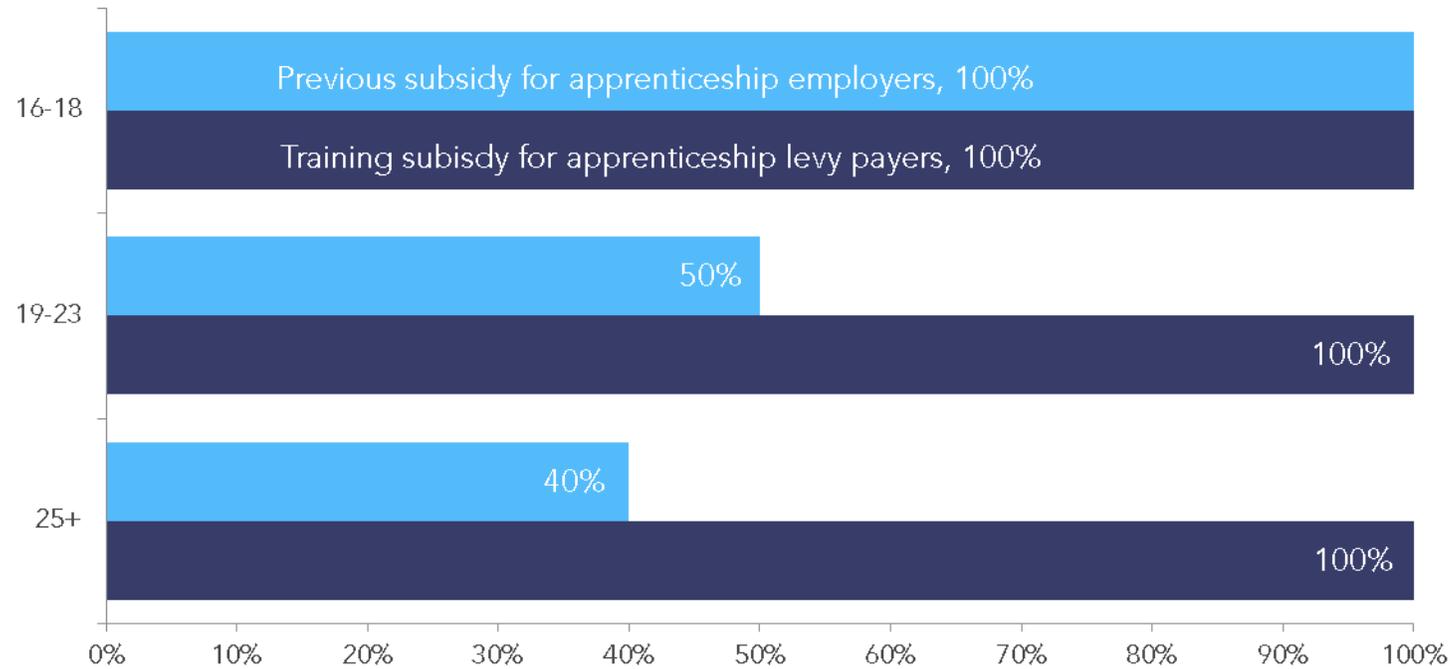
We also suggested there could be a further rise in the number and proportion of apprenticeships taken up by those age 25 and older

For example, apprentices age 25 and over comprised a plurality of annual starts – 44% - in 2015-16

## Quantity: And the levy funding rules could further this



Training subsidies by age, pre and post-levy



Source: Department for Education

This is because under recent apprenticeship reforms, training subsidies for older apprentices have risen such that they are equal to subsidies for young people

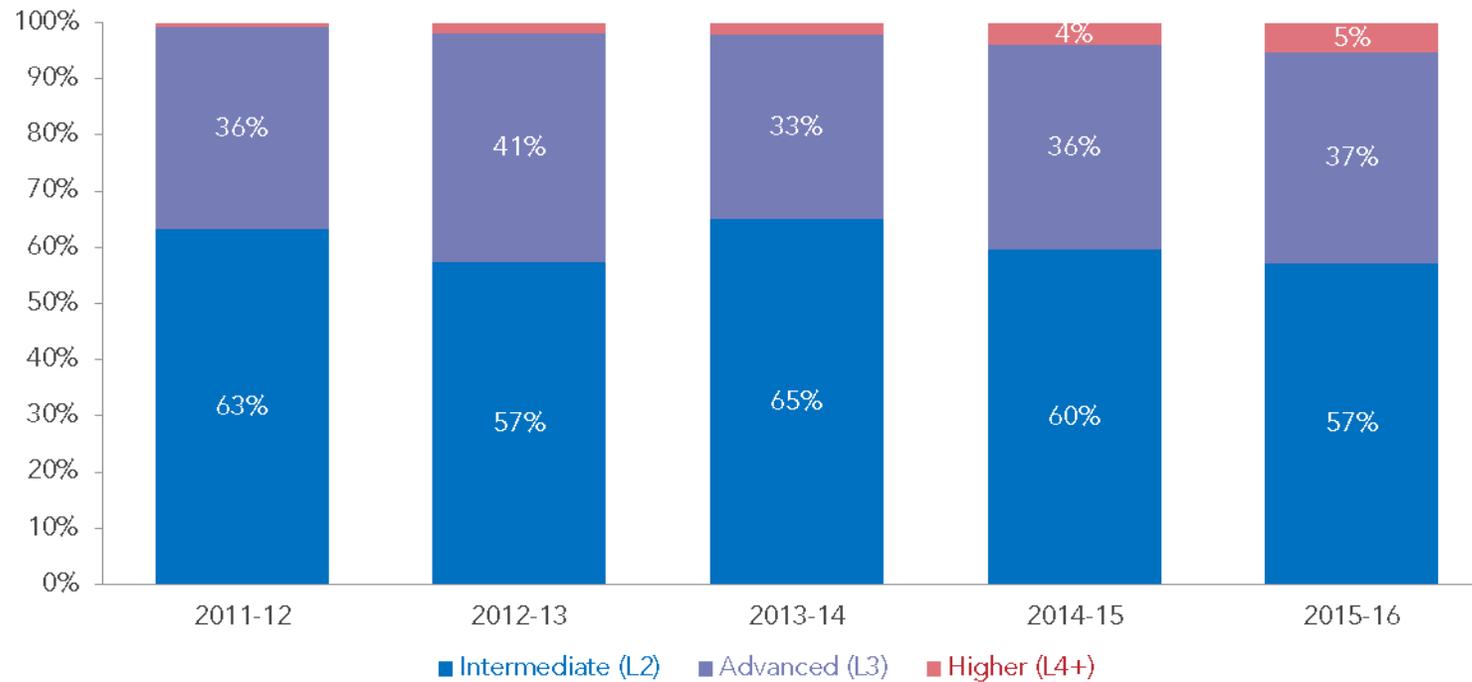
Unclear whether a £1,000 bonus for 16-18's will offset this

Risk is that older apprentices crowd a viable school to work transition for young people

## Quality: Recent growth in dominated by lower-level (intermediate) apprenticeships



Apprenticeship starts by Level, 2011-12 to 2015-16

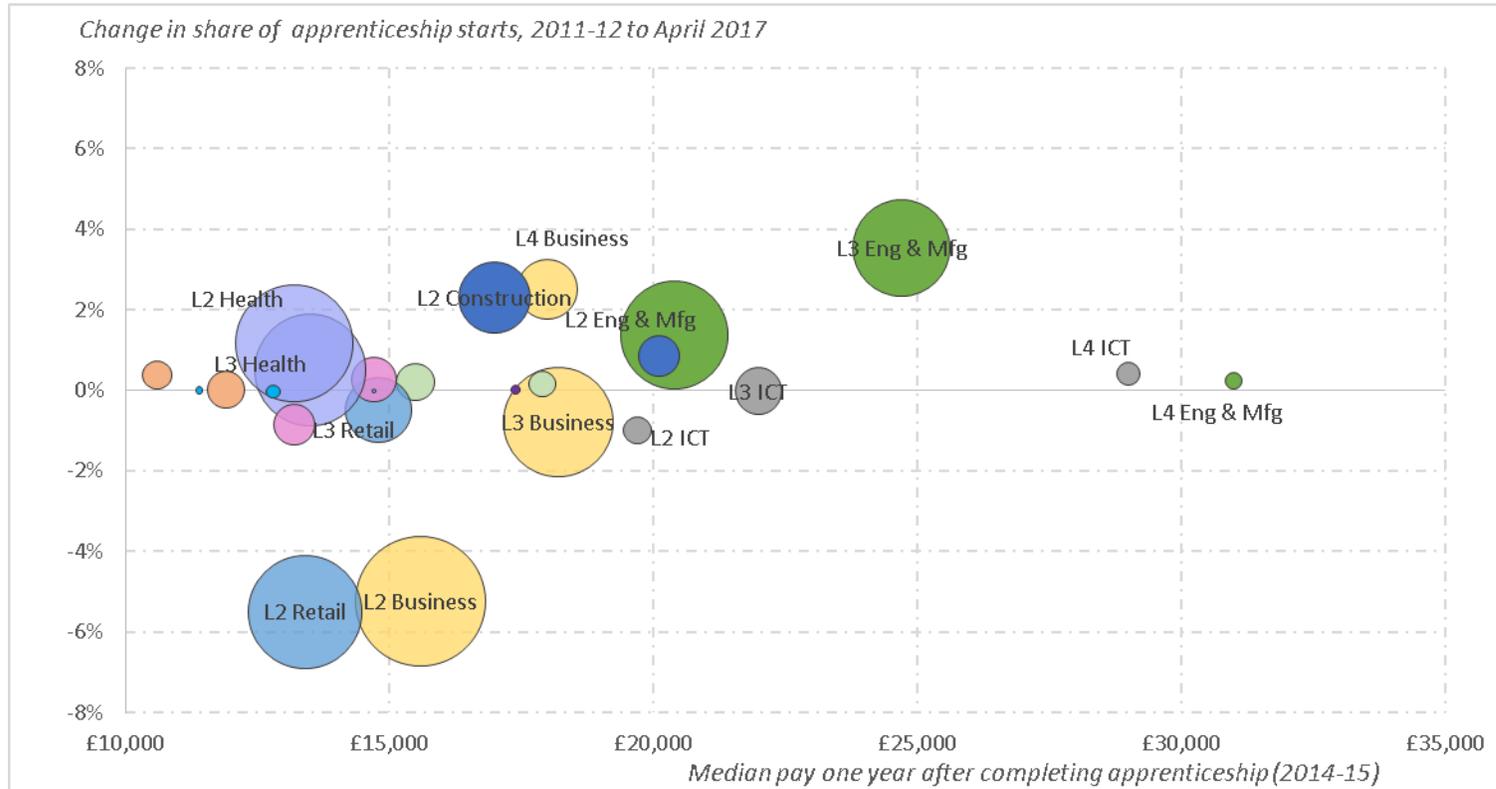


Source: Department for Education

We were unsure whether the reforms would affect the level of apprenticeships on offer: lower level (GCSE equivalent) have long formed a majority of starts – though this is changing.

While the proportion of Advanced (A-level equivalent) starts has held roughly stable, the proportion of Higher (L4+) has grown while that of Intermediate (Level 2) has declined – slightly

# Quality: Recent growth not correlated with future earnings



Source: Department for Education

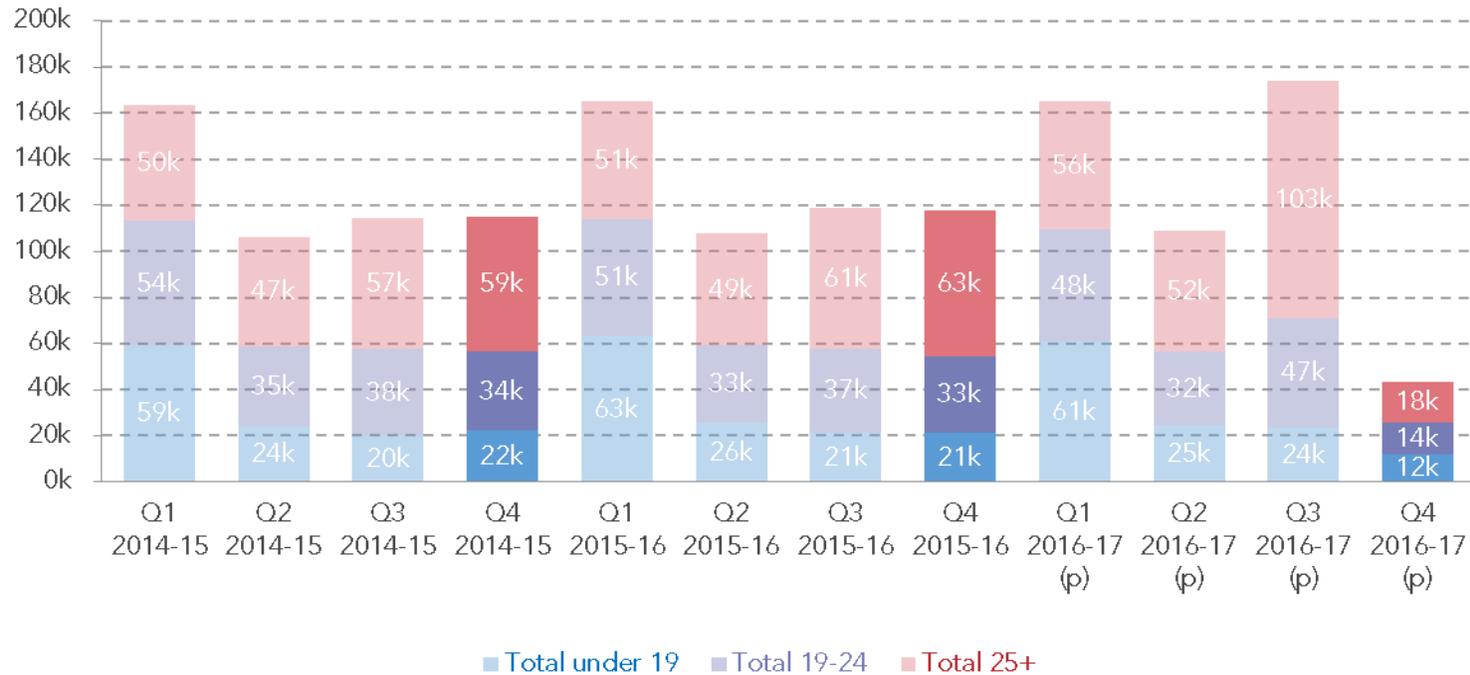
One way of interpreting 'quality' is to look at median earnings post apprenticeship

'LEO' data on post-apprenticeship earnings indicates there is no correlation between future earnings and the size/change in size (number of starters) of a particular apprenticeship

# What's happened since the levy?



Apprenticeship starts by quarter and age, 2014-15 to 2016-17



Source: Department for Education

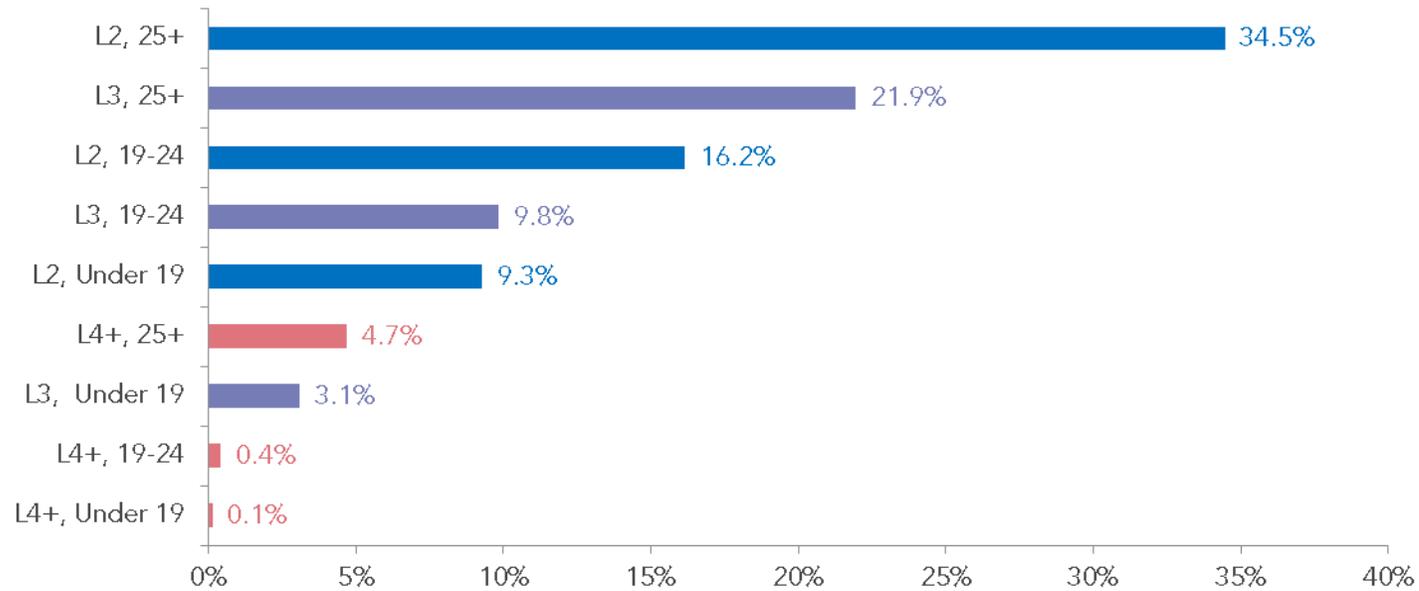
**Quantity:** provisional figures for the fourth academic quarter of 2016-17 show a substantial fall in starts compared with this time last year: over 74,000 fewer starts, a drop of 60%

This fall affected all age groups but it was older (25+) apprentices who saw the biggest drop – 71%. The fall in 25+ apprenticeship starts accounted for 60% of the total drop in apprenticeships between Q4 2015-16 and Q4 2016-17

# What's happened since the levy?

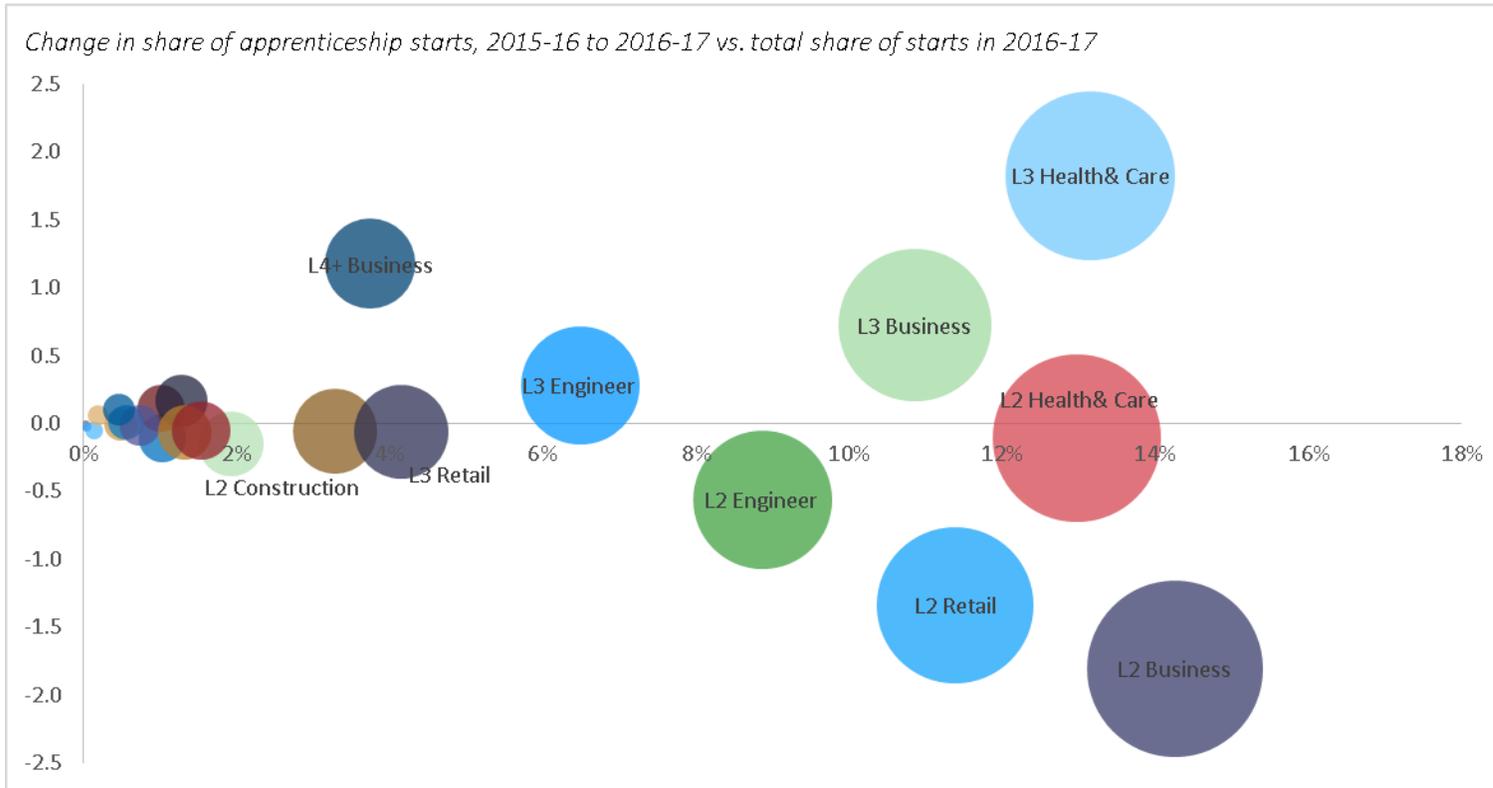


Percentage of Q4 fall in starts accounted for by level and age, Q4 2015-16 to Q4 2016-17



**Quality:** provisional figures also show the largest fall in starts occurred in lower level (L2) apprenticeships, with the number of L2 apprenticeships started by those age 25+ accounting for nearly 35% of the total fall in starts

# What's happened since the levy?



Source: Department for Education

**Quality:** year (2015-16) on year (2016-17) starts indicate the biggest falls have been in Level 2 retail, business & administration and engineering – however these still comprise a large share of apprenticeship starts

Growth in Level 3 health and Level 3 business, as well as in Level 3 engineering and Level 4+ business – albeit from a smaller base

## *A sign of things to come?*



- On quantity: likely that adjustment and teething explain part of the fall in starts: employers have 2 year to spend their levy and there have been implementation troubles in tendering for smaller-employers' apprenticeship training
- So far, just over half of levy payers have registered an apprenticeship account. Levy-funded apprenticeships accounted for 42% of starts in Q4 2016-17
- Unknown whether number of starts will continue to fall and whether smaller employers will be pushed out – monitoring critical

## *A sign of things to come?*



- On quality: difficult to say whether changes in Q4 16-17 (fall in lower level, retail/business apprenticeships) will continue
- Growth in L3 & L4+ apprenticeships encouraging, as they provide a good alternative pathway – and potentially high earnings – for younger people...
- ...but it's unclear whether these will become increasingly concentrated amongst higher-level, already degree educated staff (e.g. Masters-level management apprenticeships)
- Resolution Foundation research team will continue to monitor



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