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Be careful what you wish for: Why the UK apprenticeship levy is failing to deliver for smaller employers

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Current skills policy

- Main strand is apprenticeships programme
- Primary mechanism for addressing UK's poor productivity
- Demand-led approach – Standards and the levy
- Focus on supply, costs and funding mechanism
- Ignores behavioural context and employer 'buy-in'

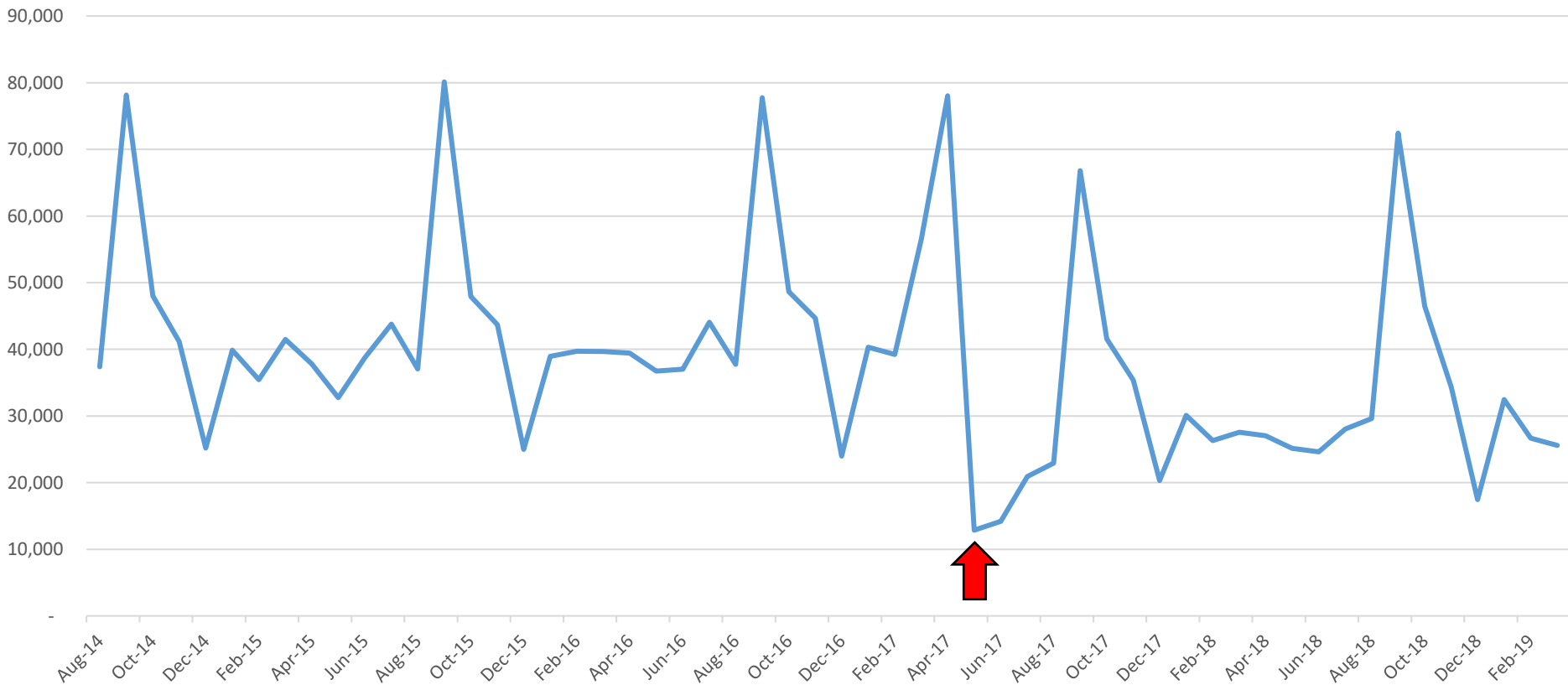
Underpinnings of the apprenticeship programme

- Particular logic chain:
 - More apprenticeships (supply) leads to improved productivity
 - Based on macro- not firm-level evidence
 - Firm-level evidence points to higher level skills not apprenticeships and...
 - deployment and utilisation of skills with other factors of production
- Focus on quantity
- Employ traditional ‘quality’ measures
- Not measures used in World Class apprenticeship systems
- Demand-led system at a time of waning and changing demand - especially amongst smaller firms

What has happened (i)?

- Large fall in apprenticeship starts

All apprenticeship starts August 2014-March 2019

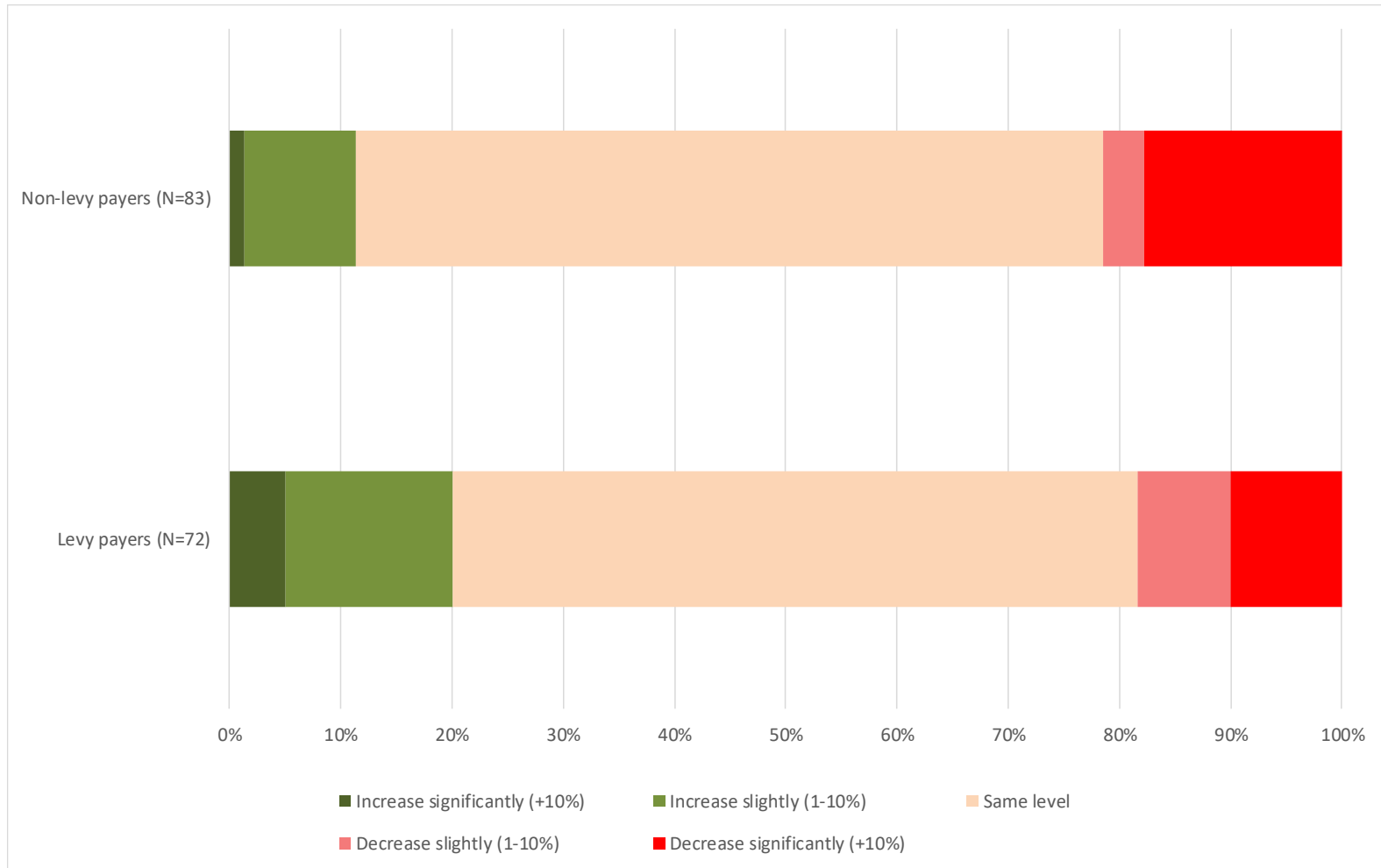


What has happened (ii)?

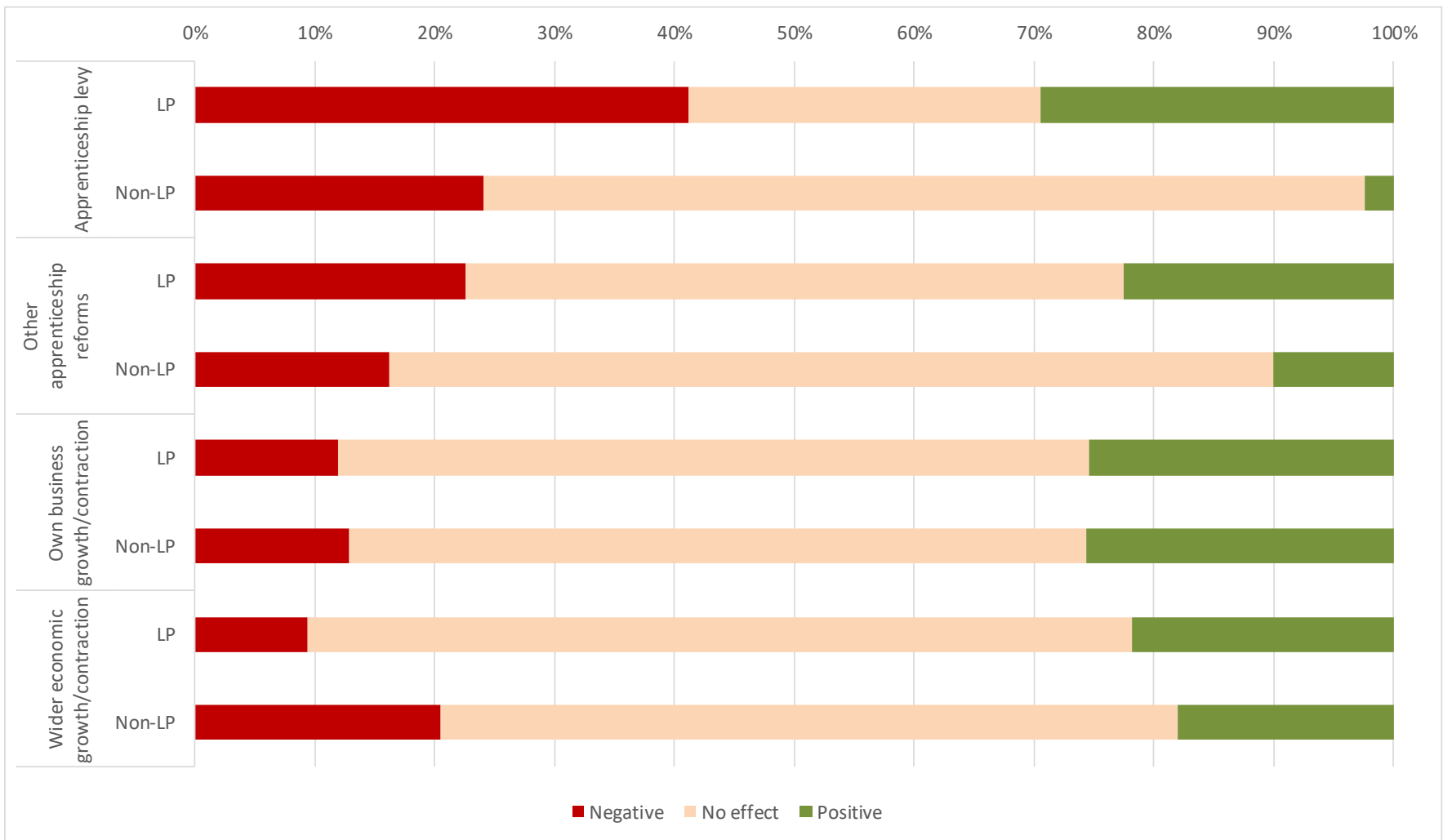
- Increased numbers of higher level apprenticeships
- Less significant changes in age profile

| | Under 19s | 19-24 year olds | 25+ year olds | All |
|--------------|-----------|--------------------|------------------|------|
| Intermediate | -36% | -53% | -56% | -49% |
| Advanced | -9% | -12% | -5% | -8% |
| Higher | 130% | 244% | 161% | 177% |
| All | -25% | -25% | -19% | -22% |

Planned starts post October 2017 by whether expect to pay the levy



Impacts on change post Oct 2017



Impact of apprenticeship reforms

- Recruitment falls in the short- and medium term
- Decline in starts much greater for non-levy payers
- Levy has the greatest negative impact...
- ...even on smaller firms who do not pay it
- Negative levy effect offset by business growth
- Half of levy payers motivated by the need to spend their levy budget

Conclusions

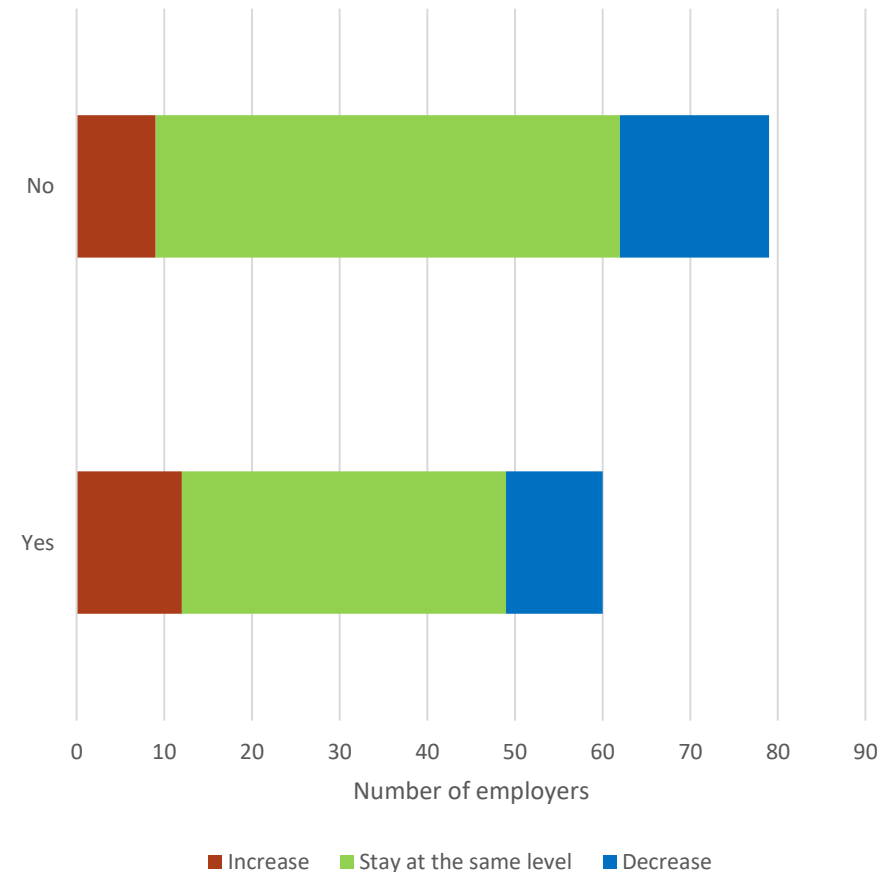
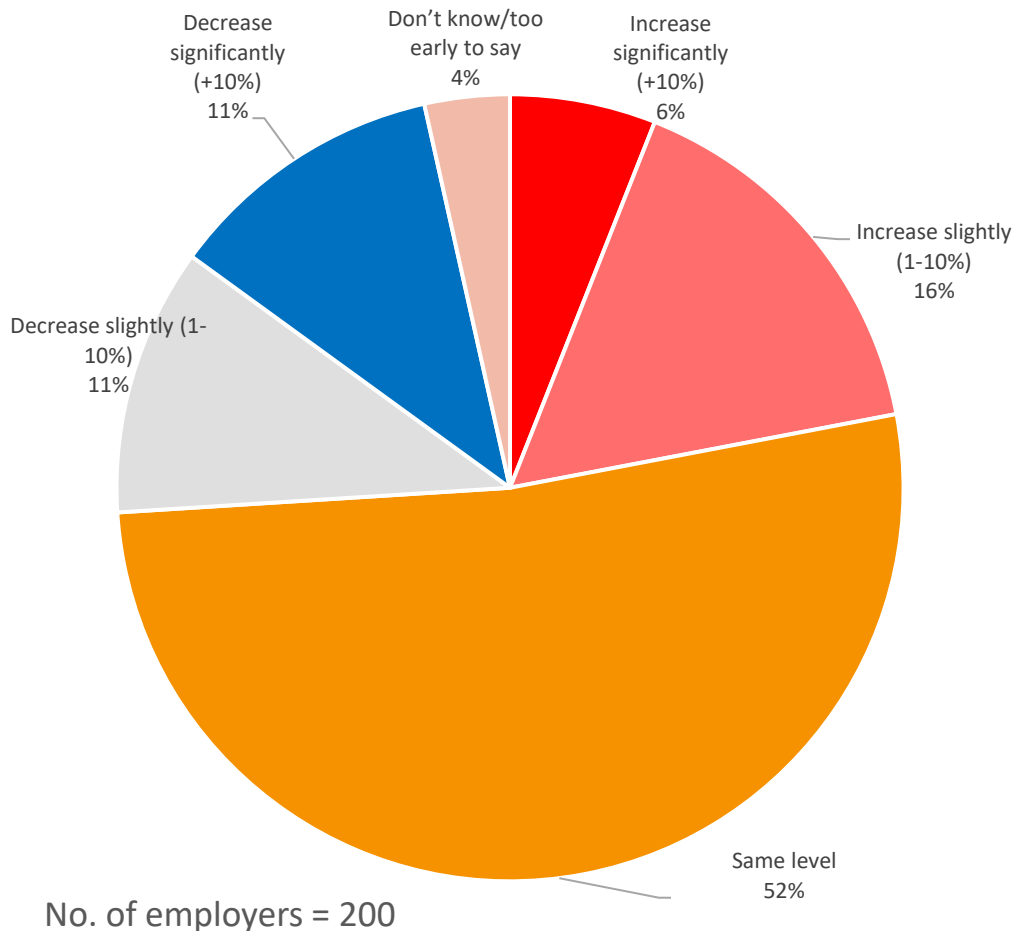
- Flagship skills policy failing to engage those who need it most
- Levy payers motivated to spend their levy
- Non-levy payers no new incentives
- Focus on costs and funding mechanisms...
- ...not the behavioural context of smaller firms

New approach needed

- Re-examine the logic chain:
 - Poor management practices and productivity
 - Interrelationship between management practices and size
 - Good management practices include HR including training
 - Not skills per se but deployment and utilisation

Expected annual starts post Oct 17

Expected change in apprentice starts post Oct 17 by whether levy will be paid

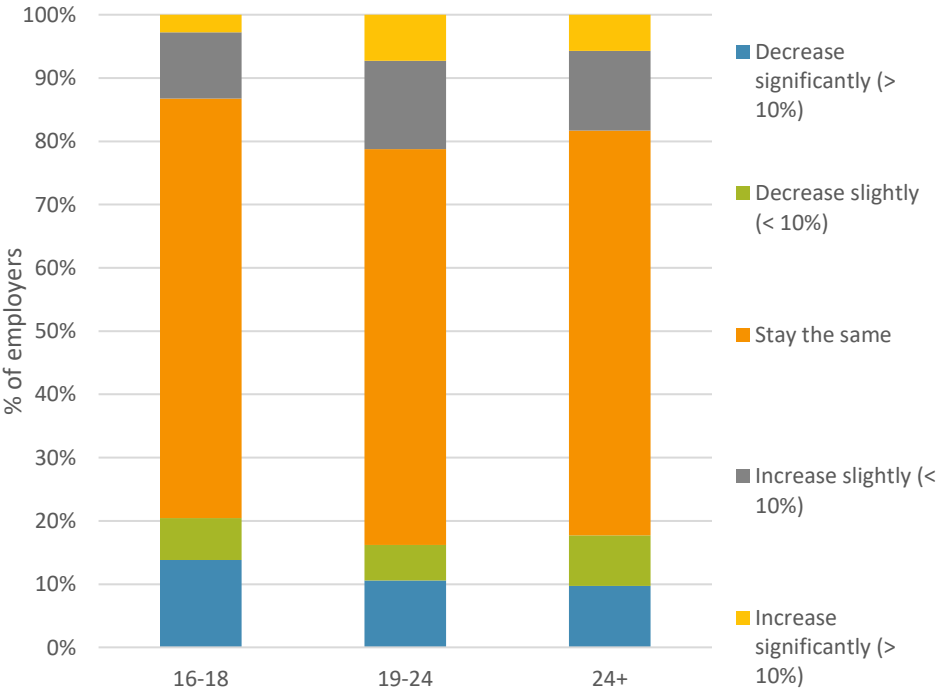


Post Oct 17 starts age and level by levy/non levy payer

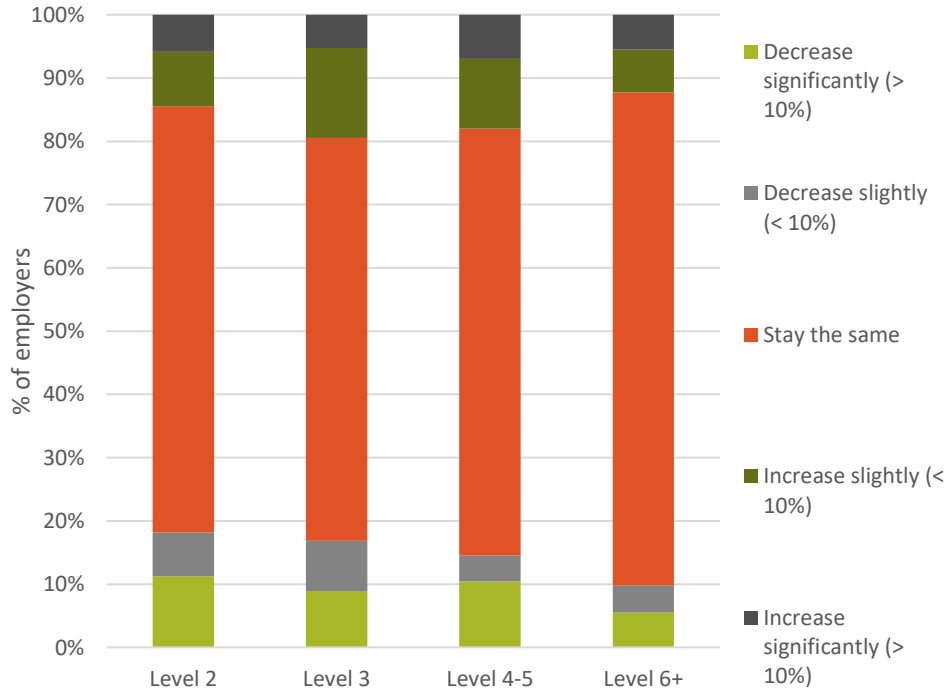
- Majority of levy and non levy payers business as usual
- Minority of employers expecting to change apprenticeship recruits:
 - Net increase for levy payers across all age groups
 - Net increase for levy payers across all levels
 - Net decrease for non levy payers across all age groups
 - Net decrease for non levy payers across all levels

Post Oct 17 starts by age and level

Expected change in age of apprentices



Expected change in level of apprentices



Impacts on change post Oct 2017

- No effect for most
- Levy has mostly negative impact on levy payers
- Little positive effect on non-levy payers
- Other impacts similar for both groups

Impacts on SMEs

- Levy equates to @115 employees
- New policy...same as the old policy?
- Employer focused/demand driven agenda synchronous with decline in skills investment
- Agenda driven by larger employers
- Main policy lever is money not business management and mindset

Signs of hope

- Industrial strategy and sector deals but skills a distinct agenda
- Combined authorities in England, skills a subset of productivity
- Policies based on³:
 - Behavioural context
 - Non-financial mechanisms
 - Employer buy-in
- Lessons from Ireland - Skillnets

T levels transferable skills

- Developed a tool for the 'expert groups'

The screenshot displays the TSkillsPivotTool interface. A search dialog box is open, showing a list of skill categories: (All), 1: Agriculture, Environmental and Ar..., 10: Health and Science, 11: Legal, Finance and Accounting, 12: Protective Services, 13: Sales, Marketing and Procurement, 14: Social Care, and 15: Transport and Logistics. Below the list is a checkbox for 'Select Multiple Items' and 'OK' and 'Cancel' buttons.

The main interface shows a table with columns for 'Route', 'O*NET Score Banded', 'Transferable Skill', 'Framework / Standard', and 'Core transferable skill'. The 'Route' is '9: Hair and Beauty'. The 'Transferable Skill' is '(All)'. The 'Framework / Standard' is 'Beauty professional (2)'. The 'Core transferable skill' is 'Attention to detail'. A list of 'Specific transferable skills' is shown on the right, including: Attention to Detail, Problem Sensitivity, Record keeping, Selective Attention, Active Listening, Oral Comprehension, Oral Expression, Reading Comprehension, Speaking, Speech Clarity, Speech Recognition, Writing, Written Comprehension, Written Expression, Fluency of Ideas, Innovation, Operations Analysis, Originality, Visualization, Customer service and client skills, Active Learning, Learning Strategies, Analytical Thinking, Complex Problem Solving, Critical Thinking, Troubleshooting, Achievement/Effort, Adaptability/Flexibility, Initiative, Persistence, Stress Tolerance, and Dependability.

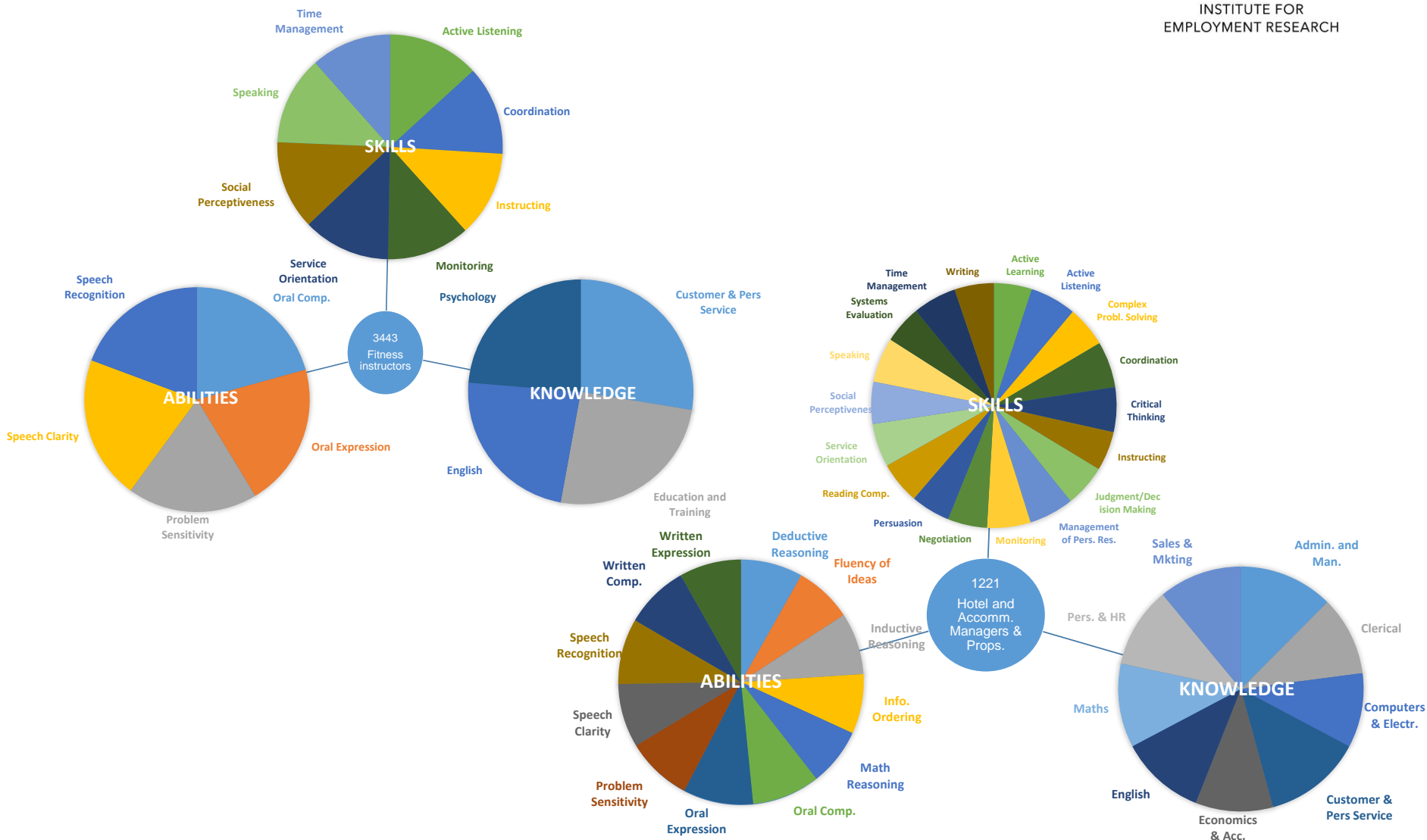
An 'Occupation' list on the right includes: Beauty Professional, Hair professional, and Nail Technician.

The bottom of the screen shows the Windows taskbar with various application icons and the system tray.

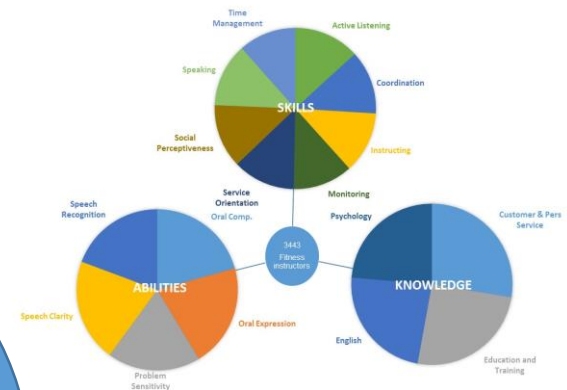
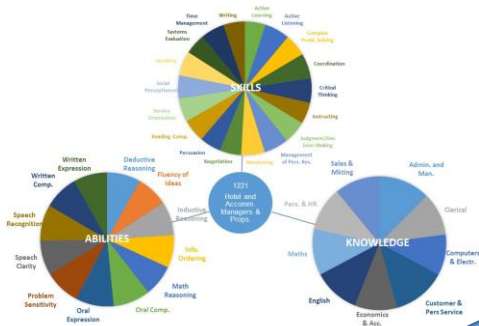
Wider potential

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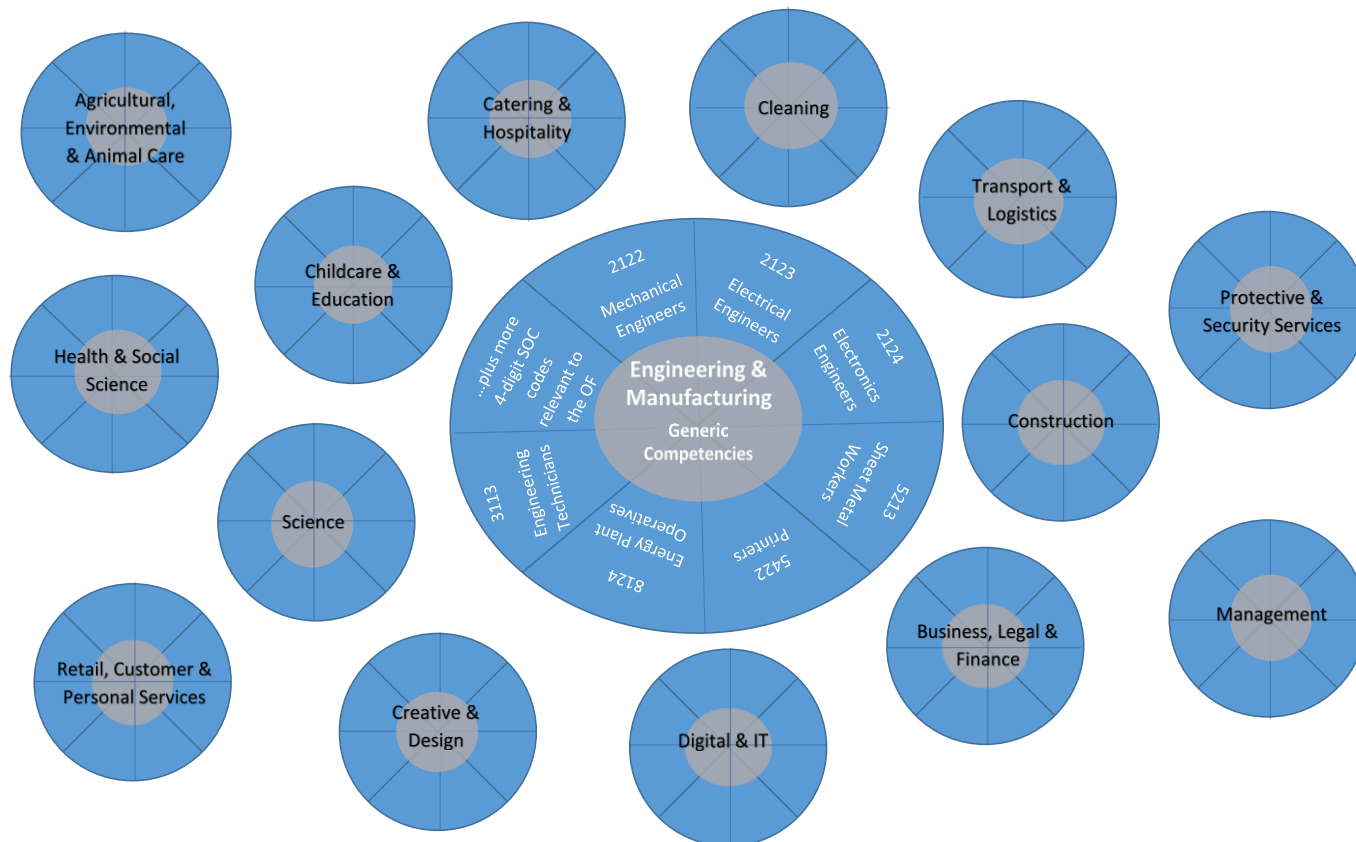
Skills within 'families' of occupations



Skills across 'families' of occupations

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Other studies

- Impact of adult learning on social mobility
- Employability support for 16-19 SEND
- Skills advisory panels – data tool and analytical framework
- All these are linked
- My Theory of Everything – linking the inclusion and economic development agendas

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