

Getting Apprentices Back to Work

Apprenticeships and Economic Recovery

In February 2020, NWBLT and London First published ‘Shaping the Workforce of Tomorrow’, a blueprint for a stronger, business-led apprenticeship system to serve the needs of businesses, apprentices and the UK economy. The recommendations of the report remain valid, but in light of the challenges the UK now faces, we recognise that much more is required to ensure that apprenticeships are able to play their essential and integral part in the UK’s economic recovery.

The economic impact of COVID-19 will be enormous, but the pandemic is likely to have a disproportionate economic impact on young people. Workers under 25 are more than twice as likely to work in the worst-affected sectors, such as hospitality, restaurants and transport services¹. Young workers are likely to be the worst affected age group in terms of reduced hiring activity by firms².

As of early April, employers surveyed by The Sutton Trust³ reported that on average just 39% of apprenticeships were continuing as normal, with 36% having been furloughed and 8% made redundant. 17% of apprentices had their off-the-job learning suspended and the Resolution Foundation⁴ has reported that 1/3 of 18-24-year-old employees have lost jobs or been furloughed, compared to 1-in-6 prime-age adults.

At this time, apprenticeships are more important than ever to provide long-term pathways to skilled employment in growing industries. However, providers we have spoken to estimate a 50% drop in apprenticeship starts in September 2020 compared to last year⁵. If this were to happen it, would wipe out a decade or more of hard work by businesses, training providers, and Central and Local Government to build the scale and profile of the UK’s apprenticeship programme.

Government support now, for apprentices, employers, and apprenticeship training providers, is critical for economic recovery. This must take the form of immediate support to maintain the sustainability of the apprenticeship training provider sector, and longer-term support to ensure that businesses are encouraged and supported to continue to employ apprentices as well as the confidence to invest in apprenticeships in the future. We also call on the Government, working with local partners, to reaffirm the importance of apprenticeships and provide assurance to potential learners about the safety and future prospects of becoming an apprentice.

We believe that furloughing is masking what could be a catastrophic lay off of apprentices in the Autumn of 2020, leading to thousands of redundancies and a ‘lost cohort’ of apprentices, unless immediate action is taken

¹ Institute for Fiscal Studies (2020) Sector shutdowns during the coronavirus crisis: which workers are most exposed?

² Adams-Prassl et al. (2020) Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK

³ Sutton Trust – Covid 19 impacts on apprenticeships

⁴ Resolution Foundation - Young Workers in the CV crisis

⁵ Based on conversations with major apprenticeship providers in the North West. Early reports suggest the number of apprenticeship starts dropped by 80% in April nationally (FE Week: Revealed: Covid-19 hit to apprenticeship starts, April 30th 2020)



Supporting apprenticeships now

To maintain a strong apprenticeship system now, and over the next period of uncertainty, we call on the Government to:

1. Introduce a long-term 'Back to Work' Apprenticeship fund to support businesses to take on apprentices.

Whilst many employers are admirably committed to maintaining existing employment offers, future demand for apprenticeships is likely to be halved. This comes on top of a significant drop in apprenticeship starts following the introduction of the Apprenticeship Levy. This risks a 'lost decade' in terms of the number of apprenticeship starts.

We call on the Government to implement mechanisms to substantially reduce the costs of apprenticeships to businesses, particularly Small to Medium Sized Enterprises (SMEs). This should be guaranteed for a minimum of three years to spur the recovery and provide confidence to businesses. It should be routed through Mayoral Combined Authorities and Local Enterprise Partnerships to benefit from the existing networks in our cities and regions, drawing on the experience of the successful Future Jobs Fund implemented following the 2008 financial crisis. This would be a superb investment in the future of the UK economy, helping businesses and providing quality employment opportunities for young people.

As part of this Back to Work Fund, we propose that the Government permits SMEs to use a portion of the levy funding transferred to them by large employers to cover the salary costs of apprentices. This would help minimise costs for both SME employers and Government and it could be achieved via a simple – maybe short term – rule change. We suggest piloting this proposal in Manchester and London. For example, through utilising Manchester Combined Authority's levy transfer fund of around £4m that is currently not being drawn down due to uncertainty and lack of apprentice starts. While acknowledging that there was historically no appetite for this, we believe limiting the spend of transfer funds to non-levy paying SMEs could reassure Government against potential misuse of funds, while enabling SMEs to either employ new apprentices or put their currently furloughed apprentices back to work. This reduces the burden on the furlough scheme, gets apprentices back to work and gives employers funded workers to support their own

recovery. Where a levy transfer fund is not available or has been fully utilised in the above example, we call on the Government to continue to pay 80% of apprentice salaries through the furlough scheme at the point at which they reduce other employees to 60% as a) apprentices are already paid substantially lower than other employees and b) this might forestall a mass laying off/resignation of currently furloughed apprentices.

2. Provide immediate funding relief consistently and equitably to all providers of apprenticeships to ensure that the supply of training remains strong.

The Government's financial relief to providers of non-levy-funded apprenticeships is welcomed, but this still leaves hundreds of thousands of levy-funded apprenticeships without relief funding, and at risk. We ask Government to apply Cabinet guidelines for providing supplier relief fairly for all apprenticeships as appropriate or provide other means of funding support, so that Apprenticeship Training Providers (ATPs) continue to be funded where training has been paused. However, where ATPs are able to continue training in different ways e.g. distance learning, they should do so, and the rules should be flexed as necessary to support this.

3. Support providers and businesses to continue to offer apprenticeships safely.

Reports from providers and businesses suggest that safety concerns - amongst learners and their families - may be a barrier to apprentices continuing with their learning. We call on the Government to help businesses and providers offer a safe environment to apprentices. This includes clear guidance on how to operate safely, and potentially small grants for relevant PPE and / or safety modifications to workplaces where this is needed. In some cases apprenticeships are at risk because they cannot currently comply with face-to-face teaching requirements. We ask that flexibility be given to providers and apprentices to suspend face-to-face requirements so that no apprentices are forced to fail through being unable to complete in-person training or assessment.

Delivering a stronger recovery

To help support economic recovery over the short and long term, we call on the Government to:

4. Give businesses greater flexibility in how they use levy funds.

To aid economic recovery we call on Government to give businesses greater flexibility in how they use funds, including:

- Making it easier to bulk transfer funding to other firms, as a single, simple digital transaction. Businesses are keen to help their suppliers and other firms in their area or sector. We call on the Government to simplify the mechanism for bulk transfer of levy to other companies or central funds operating such as the one in Greater Manchester.
- Allowing business to use a portion of their levy on apprenticeship administration costs, salary costs, and robust, accredited pre-employment training.
- Pausing levy payments and the expiration of levy funds whilst there remain restrictions on economic activity and movement which affect the delivery of apprenticeships.

Each of these flexibilities would encourage greater take-up of apprenticeships and enable existing funding to flow to where it is most needed.

5. Improve communication channels between businesses and the apprenticeship system.

The need to make it easy for business to find out information quickly and provide feedback has never been more urgent. We call on Government to ensure that an organisation such as IfATE provides an employer-driven 'one-stop-shop' for information and support.

6. Work with SMEs to trial innovative approaches that boost demand for apprenticeships.

Providing the funding and support for Mayoral Combined Authorities and Local Enterprise Partnerships to work with SMEs to pilot and roll out new approaches such as the proposal set out in action 1, plus 'clearing-house' approaches and shared apprenticeships – will help ensure that SMEs are best able to take on and benefit from apprenticeships.

As part of the support for SMEs, we call on the Government to remove the 'co-investment' fee that non-levy paying employers are currently having to find towards the training of their apprentice. This should apply to apprentices of all age and would be only a small investment per apprentice (an additional 5% of the training fee) but would make the sell of apprentices to employers far more straightforward and appealing.

7. Promote the opportunity of apprenticeships to young people and their families.

Despite the long-term growth of apprenticeship starts over the last two decades, many common misperceptions remain regarding the prospects of apprenticeships. At this time, it is vital that the Government continues to strengthen the promotion of apprenticeships, emphasises the role of apprenticeships in economic recovery, and highlights the long-term opportunities that apprenticeships provide.

We hope that the Government will implement these points, and we offer the support and insight of our member businesses and training providers to the Government to help make this happen.

