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A qualitative investigation

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Executive summary

Background and research aims

There has been significant reform of apprenticeships since 2013, involving various moves to improve quality, including a mandated minimum 20% off-the-job (OTJ) training, the introduction of Apprenticeship Standards to replace Frameworks, the 12-month minimum apprenticeship duration, and a shift to end-point assessment (EPA).¹ In funding terms, the biggest change has been the introduction in April 2017 of the Apprenticeship Levy (among employers with a wage bill of over £3 million) and employer co-investment (among smaller employers, who initially had to contribute 10% of apprenticeship training costs though this dropped to 5% during the course of fieldwork for this research)².

Data indicates that since 2016/17 there has been a reduction in apprenticeship starts in England, and a shift in participation, with an increase at Level 4 and above, and a large fall at Level 2³. However, the majority of apprenticeships continue to be undertaken at Level 2 and Level 3 (81% of all starts in the period August 2018 to April 2019).

The reduction in Level 2 has been apparent since 2014/15, but this accelerated from 2016/17 onwards. Looking at all apprenticeship participants for the first three-quarters of 2018/19⁴ (not just starts), 37% were at intermediate level (Level 2) – a decline of around 28% on the same period in 2017/18 (from 349,600 to 253,600). There was a smaller decline in the volume participating in Level 3 apprenticeships (down 5%, from 342,700 in the first three-quarters of 2017/18 to 325,000 in the same period for 2018/19) and an increase in the proportion doing Level 4 or above (up 51%, from 73,600 to 111,300 over the same period)⁵. The decrease in Level 2 apprenticeships is most pronounced in volume terms in the 4 largest Sector Subject Areas (SSAs): Business, Administration and Law; Health, Public Services and Care; Retail and Commercial Enterprise; and, Engineering and Manufacturing Technologies⁶.

The Department of Education (DfE) commissioned IFF Research to conduct qualitative research which explored decisions about offering and undertaking Level 2 and Level 3 apprenticeships, among stakeholders (employer and provider representative bodies), apprentice employers, apprenticeship providers, and apprentices. The overarching aim of this research was to gain a better understanding of the drivers of change in

¹ These reforms were informed by the [Richard Review \(2012\)](#) and the [Holt Review \(2012\)](#)

² [Apprenticeship funding: how it works](#)

³ [Apprenticeships and Traineeships, England: July 2019](#)

⁴ [Apprenticeships and Traineeships, England: July 2019](#)

⁵ [Apprenticeships and Traineeships, England: July 2019](#)

⁶ [Apprenticeships and Traineeships Data](#)

apprenticeship numbers, specifically the factors affecting changes at Level 2, and how these affect other programmes, in particular Government Traineeships and Level 3 apprenticeships.

The specific research aims were:

- to identify and explore the factors affecting changes in the numbers of Level 2 apprenticeship starts since 2016/17
- to identify and explore the effect(s) of the change in numbers of Level 2 starts and its inter-play with other programmes, specifically traineeships, and Level 3 apprenticeships
- to explore whether lessons can be learned from exceptions to the overall trend, for example where employers within the 4 SSAs of interest are in fact increasing Level 2 starts and/or considering or have started to increase Level 3 starts
- to identify possible policy responses to the overall change in numbers of Level 2 starts, for example whether and how to support apprentices to start at higher levels

Methodology

The research was conducted between April and June 2019, and encompassed:

- 12 one-to-one telephone depth interviews with stakeholders comprising employer and provider representative bodies (lasting 45 minutes on average)
- 36 one-to-one telephone depth interviews with apprentice employers, predominantly who had decreased their apprentice volumes at Level 2 and/or Level 3, with a small number whose volumes had increased at those levels (lasting 45 minutes on average)
- 20 depth interviews with apprenticeship providers, split evenly between Further Education (FE) colleges and Independent Training Providers (ITPs) - 10 of these were conducted as on-site visits to enable research with apprentices at the same time (lasting 45 minutes on average)
- research with 23 apprentices across 10 providers - conducted via a mixture of mini focus-groups and individual interviews (lasting 30 minutes on average)

The research focused on the 4 SSAs which have seen the most pronounced decrease in Level 2 apprenticeships: Business, Administration and Law; Health, Public Services and Care; Retail and Commercial Enterprise; and Engineering and Manufacturing Technologies. Participating employers all offered apprenticeships in one of these 4

areas, and providers and stakeholders were asked to consider these SSAs in particular during the interview.

Three of the 4 SSAs have similar age profiles among their apprentices. Most commonly, apprentices were under 19 years old. This was particularly marked among the Retail and Commercial Enterprise SSA, in which over two-fifths of apprentices were under 19 years of age (42%). Of the 4 SSAs covered in the research, apprentices in Health, Public Services and Care have an older age profile, and almost half (46%) were aged 25 or over, as shown below in Table 1 below.

Table 1. Age profile of apprenticeship starts by SSA (year 2017/18)

Age	Business, Administration and Law	Engineering and Manufacturing Technologies	Health, Public Services and Care	Retail and Commercial Enterprise
Base	36,927	27,277	34,688	34,148
Under 19	38%	37%	27%	42%
19-24	31%	28%	26%	27%
25+	31%	35%	46%	30%

Source: ILR Data

In terms of funding, Business Administration and Law apprentices were the most likely to be levy supported (53% of all apprenticeships starts in this SSA in 2017/18). The 3 other SSAs had similar proportions of apprentices supported by the levy: Retail and Commercial Enterprise (45%), Engineering and Manufacturing Technologies (44%), and Health, Public Services and Care (45%)⁷.

As the research is qualitative it provides insight into the range of drivers for changes in apprenticeship volumes, and the impacts of those changes, rather than the prevalence of those drivers and impacts. This means that whilst the research aimed to obtain a wide range of perspectives, its qualitative nature and purposive sample design means that findings cannot be taken as representative of the wider populations of employers, providers or apprentices.

As such, the use of ‘all’, ‘most’, ‘many’, ‘some’ and ‘few’ in this report are illustrative of the prevalence of views amongst research participants in this study and are not generalisable to the wider population. Nevertheless, the findings do provide insights into the breadth of issues and views that exist within the wider population of employers, providers, apprentices and stakeholders.

The following sections summarise the key findings.

Factors affecting decisions about Level 2 or Level 3 apprenticeships

Among employers, the key determinant of whether to offer a Level 2 or Level 3 apprenticeship was the nature and skill level of the job that came with it, which linked to the ability and experience of the candidates. For example, several employers reported that it is their company policy to start all apprentices at Level 2. This is in part driven by wanting to create a foundation level of training and skills across the entire workforce (mentioned by employers across all 4 SSAs) and in part because the company predominantly recruits people with little prior experience of the role who need to learn from the ground up. This was especially important where recruits were aged 16-18 and had little or no prior work experience.

By contrast, the desire to upskill staff is a common driver for Level 3 programmes across SSAs. While Level 2 is seen as the entry level qualification, it was the view of some employers that Level 3 has a role to play for more experienced staff looking to move into more specialised or supervisory roles.

These differences are reflected in the specifications given for Level 2 and Level 3 standards in the social care sector by the Institute for Apprenticeships and Technical Education: for Adult Care Worker Level 2, the focus of the standard is on direct care of clients, general awareness and understanding of procedures and regulations, and personal development, with typical job titles including Care Assistant, Care Worker, and Support Worker. The mandatory qualification for this standard is the Level 2 Diploma in Care.⁷ By contrast, for Lead Adult Care Worker Level 3, the main responsibilities include far more supervisory elements, including supporting, guiding and mentoring other staff, with typical job titles including Care Officer, Care Supervisor, Senior Care Worker, and Supervising Care Officer. The mandatory qualification for this standard is also higher - the Level 3 Diploma in Adult Care⁸.

The exception was in the Engineering and Manufacturing Technologies SSA, where Level 3 was reported as constituting a more common entry point, and applicants usually had higher entry qualifications such as higher-level GCSE passes, or even A-level or equivalent qualifications such as BTEC. In this SSA, while Level 3 standards do not tend to embody the same requirements for supervising staff as found in other SSAs such as Health, Public Service and Care, they often include a higher level of technical knowledge and ability.

For the most part, apprentices were aware of the differences between apprenticeship levels, but very few reported feeling that they had any kind of autonomy when it came to

⁷ Institute for Apprenticeships and Technical Education website, '[Adult Care Worker](#)'

⁸ Institute for Apprenticeships and Technical Education website, '[Lead Adult Care Worker](#)'

selecting the level of their programme. In many cases, there was no choice of level available to them: they either applied to a course only offered at Level 2 or Level 3, or were advised as to the level they should do after being assessed by a provider.

Causes and effects of the decline in Level 2 apprenticeships

Several factors were felt by employers, providers and stakeholders to have contributed to the decreases in Level 2 apprenticeships in the 4 SSAs of interest to this research, although some applied more to certain SSAs than others. These were: the 20% OTJ training requirement; concerns around apprentices' ability to meet the required standards; funding changes; and the transition from frameworks to standards. On a longer-term basis, the impact of higher skill needs was also raised by some employers, particularly in the Engineering and Manufacturing Technologies SSA. These issues are discussed in turn below, followed by a discussion of the perceived effects of the decline in Level 2 apprenticeships.

The 20% off-the-job (OTJ) training requirement

There are requirements for employers to evidence the 20% of time that apprentices should spend on OTJ training as part of the 2017 reforms⁹. There was a perception among some employers that 20% of time on OTJ training constituted an increase on the amount of time apprentices had spent on this type of training previously. The OTJ training requirement was a particular issue in the Business, Administration and Law, and Retail and Commercial Enterprise SSAs, where Level 2 apprenticeships were thought by some employers to provide less 'value added' than higher level apprenticeships, in terms of returns to the business in improved productivity and skills. It was also reported to be an issue for roles where there were direct costs associated with providing the OTJ training time, such as needing to arrange cover for staff in customer-facing retail or social care roles.

In Engineering and Manufacturing Technologies this was not such an issue because employers mentioned that the sector has traditionally offered OTJ training on a day release or similar basis, which means employers are more accustomed to it and recognise its value. Some stakeholders and providers felt that employers generally did not have a full grasp of what OTJ training covered, assuming it meant classroom-based training away from the workplace when it could involve on-site activities such as shadowing. Some providers mentioned working with employers to address employer misperceptions.

⁹ [Apprenticeship off-the-job training: Policy background and examples](#)

Although the 20% OTJ training element is a requirement for all levels of apprenticeships under the new reforms, some employers felt it to be a greater issue with lower level apprentices, especially at Level 2, largely as they tend to be in customer or patient-facing roles in the SSAs that the research covered, making it logistically difficult to lose any of their time to OTJ training. In addition, these employers deemed that apprentices at Level 2 require greater levels of supervision and management, compared with apprentices at higher levels. The 20% OTJ training requirement reinforced this perception of increased management time for Level 2 apprentices, in terms of having to plan for cover and document the time spent training.

Moreover, for those who deal directly with clients or customers, direct cover is needed to be able to maintain service levels, whereas more experienced employees (i.e. those doing higher levels) did not necessarily require direct cover as they were less likely to spend so much of their time in customer or client-facing roles. Also, apprentices doing higher levels were perceived to be able to manage their workload and time more effectively than lower level apprentices.

The other key issue in terms of the 20% OTJ training requirement was the strong view among some stakeholders and providers that employers found it to be administratively burdensome. This was particularly in regard to the requirements to evidence the training, and the need to arrange the apprentice's time off and organise cover. Small and medium-sized enterprises (SMEs), who often do not have a distinct training or Human Resource (HR) function, found the additional administration particularly challenging. In the context of these additional time and cost implications, some employers and providers reported that Level 2 apprentices were not as beneficial to the organisation, in terms of 'value added', as compared to apprentices at Level 3 or above¹⁰.

Concerns around apprentices' ability to meet the required standards

The 2 main aspects of this concern, reported by most employers and some providers, related to the perceived ability level of applicants at Level 2. The first related to the English, maths and IT (functional skills) requirements¹¹ within the apprenticeship, which

¹⁰ The May 2017 reforms mandated 20% OTJ training should be delivered to apprentices. The analysis in [Appendix A](#) shows the SSA's that have seen the largest fall in Level 2 starts [since 2016/17](#) tend to be SSA's where training hours were low pre the 2017 OTJ training reform. This suggests some employers who were not previously offering 20% OTJ training have reduced their offer in reaction to the 20% OTJ training reform. However, while Engineering had a higher than average amount of training hours per week pre-reform, the post-reform fall in Level 2 starts in Engineering is similar to the fall in Level 2 starts in SSA's with a low amount of training hours pre-reform (see Appendix A). This suggests 20% OTJ training alone cannot account for the fall in level 2 starts across SSA's, but likely is one factor amongst others.

¹¹ [ESFA Apprenticeship Funding Rules for Training Providers](#) (March 2019): Level 2 apprentices are required to pass (unless they have prior exemptions) Level 1 functional skills in maths and English. Some existing frameworks also require apprentices also to pass ICT. Alongside this, the current DfE policy and associated ESFA funding rules require that Level 2 apprentices also study towards and take the assessments for Level 2 functional skills, although the apprentices do not have to pass these assessments in order to pass through the gateway stage and be allowed to undertake the end point assessment. The Apprenticeship Funding Rules (March 2019) state 'we expect all apprentices to work towards level 2 in these subjects and to take the assessment for the achievement of level 2.'

were reported by many employers and some providers to be difficult for some apprentices who had low GCSE passes (e.g. equivalent to grade D or below). Some employers and providers reported putting additional support in place for functional skills such as providing extra training or English and maths tutors, but this added to the time it took to run the apprenticeship. Other employers had changed their recruitment practices to target applicants felt to be more likely to cope with the functional skills requirements, essentially those who already had a qualification at the required level. Some employers, who had not found these types of applicants, had decreased the number of Level 2 apprentices they have taken on.

The second area of concern reported by most employers and some providers was about EPA, a synoptic assessment that takes place at the end of the apprenticeship on the standards. Some employers preferred staying on frameworks (which do not have an EPA), and where these have been phased out it is likely to be a contributing factor to the Level 2 apprenticeship decline. Key issues reported were the uncertainty among most employers about how the EPA process would work in practice, and who would be required to pay for re-sits if the learner did not pass. These concerns were specific to Level 2 apprentices as there was a view among some employers that they were more likely to find tests difficult, and so have a greater risk of failing the EPA, compared to apprentices at higher levels.

However, apprehension towards EPA amongst employers was predominantly related to unfamiliarity with the new approach, rather than actual experiences of it. There was a view among some stakeholders, providers, and employers that the anxiety around EPA was delaying some employers' decisions about taking on more Level 2 and Level 3 apprentices until they had more knowledge about how the EPA system works.

Funding changes

Several providers and stakeholders reported that more levy-paying employers are utilising their levy funding for higher level apprenticeships to upskill existing staff, rather than to fund Level 2 apprenticeships for new recruits. This was felt to be a result of employers' desire to spend their levy pot to avoid losing it¹², along with the perception that higher level apprenticeships - although they cost more - provide better value for money because they provide more value-added for the employer. There were examples from some employer interviews where decisions had been made to use levy funding to

We recognise that for some a level 2 may be difficult to achieve. In these circumstances, we will accept achievement of level 1 English and maths as sufficient for the successful completion of their apprenticeship, except where the framework or standard specifies a higher level of English and/or maths must be achieved'.

¹² Under the Levy, if employers do not spend their levy funding within 2 years they will lose it. For more information see: [Apprenticeship funding: how it works](#)

pay for apprenticeships at higher levels, among supervisory and management staff, reducing other training budgets including for Level 2 apprenticeships.

Some employers and providers also mentioned that there had been some uncertainty about how the levy would operate in practice, so decisions had been made to downscale or postpone apprenticeship recruitment until there was more clarity and confidence about how the new system would work. Given this, there was a view among some providers, stakeholders, and employers alike that the recent decline in Level 2 apprenticeships might be reversed over time as levy employers get used to the new funding rules. However, views on this were mixed, and some other employers, providers and stakeholders felt the focus soon would be on an increase in the number of higher-level apprenticeships.

Among non-levy paying employers there was a view that the 10% contribution (now 5%)¹³ required for apprenticeship training is a significant cost to small businesses like theirs, which makes taking on apprentices less appealing. One employer representative body said that the 10% co-investment was off-putting in the health and social care sector in particular, due to tight margins and a lack of willingness to spend money on staff training.

One stakeholder reported that providers are wary about offering apprenticeships to non-levy employers, as they cannot guarantee funding being available. This was supported by evidence from some providers, who described issues with funding allocations being capped¹⁴ which had curtailed the volume of apprenticeships they could offer to non-levy paying employers. One reason why this may have had a disproportionate effect on Level 2 starts is that this level of apprenticeship makes up a bigger share of what non-levy employers offer¹⁵. So, a policy change that affected non-levy employers is likely to have a disproportionate effect on Level 2 apprenticeships overall.

The transition from frameworks to standards

Apprenticeship frameworks are being withdrawn on 31st July 2020, and all new starts will be on standards, which are intended to better meet the needs of employers¹⁶. Whereas frameworks were designed by sector bodies¹⁷, groups of employers ('trailblazers')

¹³ [Apprenticeship funding: how it works](#)

¹⁴ Providers on the Register of Training Providers (RoATP) must submit tenders to apply for funding to deliver non-levy funded apprenticeship training, with the government awarding funding to successful bidders from a central pot of levy money unused by levy-paying employers

¹⁵ In 2017-18, Level 2 apprenticeships made up 47% of non-levy apprenticeship starts, compared with 38% of levy-supported starts. [Apprenticeships and Traineeships Data](#)

¹⁶ Apprenticeship frameworks are being phased out and replaced with standards. Frameworks were designed by sector bodies, whereas groups of employers ('trailblazers') designed the standards. Standards are seen as being more 'occupation-focused' in comparison to the 'qualification-led' frameworks.

¹⁷ Sector bodies such as industry training standards organisations and Sector Skills Councils (SSCs).

designed the standards and standards are more 'competency and occupation-focused' in comparison to the 'qualification-led' frameworks.

Several stakeholders and providers noted a reduction in government funding for frameworks and funding band levels for some Level 2 apprenticeship standards, with the result that some providers argued that it is no longer viable to run them.

The length of time taken to approve some Level 2 standards and a perceived lack of clarity about the content of some of them was reported as having contributed to the decline in Level 2 apprenticeships by some stakeholders, providers and employers. Some stakeholders, providers, and employers themselves reported that employers are unsure about the new standards generally, with many preferring to wait until things such as EPA requirements and funding rules are clearer.

The lack of a similar standard for some Level 2 frameworks was highlighted as a particular issue in the 4 SSAs of interest to this research, among some employers, providers and stakeholders. Examples of this include Early Years, Business Administration, Mechanical Engineering, and Bus and Coach Engineering apprenticeships. Employers had a mixed response to this. Some reported they would stop recruiting apprentices and seek experienced recruits instead (particularly in Business Administration). Others (mainly in the Engineering and Manufacturing Technologies sector) spoke about taking on fewer apprentices but at the new Level 3 standard in the future, with higher entry requirements at GCSE level.

Looking to the future: the impact of higher skill needs

When asked to consider the impacts of skill needs over the next few years, several employers in the 4 SSAs expected their utilisation of higher-level apprenticeships to increase. This was due to employees wanting to progress in the company and also due to a need for more technical skills because of changing job roles and technology, especially in the Engineering and Manufacturing Technologies sector. One logistics business had trained all of their entry level staff and were now shifting emphasis to supervisory level training for some Level 2 trained staff (e.g. moving from Level 2 Warehouse Operations to Level 3 Team Leaders) which they do not require in the same volumes as Level 2.

Perceived effects of the decline

It was difficult to identify the effects of the decline in Level 2 apprenticeship starts, as most employers had either not yet experienced any wider impacts while many providers and stakeholders were 'waiting to see' what the actual impacts might be and whether the trend in falling volumes would continue or recover over time. However, some employers in the Health, Public Services and Care SSA mentioned issues with workforce shortages, due to a lack of workers progressing from Level 2 apprenticeships. Some employers in

Retail and Commercial Enterprise also noted that the decline in Level 2 was negatively impacting job opportunities in the sector for young people. This was echoed by some employer representative bodies who reported concern that the decline in Level 2 apprenticeships means that younger people and those with lower qualification levels may now have fewer opportunities to progress.

One Health, Public Services and Care employer saw the decrease in Level 2 as being connected to a more positive effect of the apprenticeship reforms, in that the Levy had given them the ability to fund more higher level training (at Level 4 and above) for management staff. Previously they had found this too expensive.

Some provider representative bodies felt that providers specialising in Level 2 and Level 3 provision were being particularly impacted by the change in Level 2 numbers. Among providers, some reported reduced income and, in one case, having reduced their workforce, due to the drop in learner numbers at Level 2. Some had concentrated on higher level apprenticeship provision instead and others were winding down some of their Level 2 provision because it was no longer viable, partly due to changes in employer demand.

Circumstances in which Level 2 and Level 3 starts are increasing

Among the employers where Level 2 starts had increased in the 4 SSAs, the main drivers were business-specific, and mainly related to either business growth/expansion (and therefore new recruitment) or the need to replace staff due to turnover or an ageing workforce. For example, one stakeholder mentioned the expansion of some of the newer supermarket chains as driving an increase in apprenticeship training in areas like customer service/retail and logistics.

Alongside general business need, increases in Level 2 were often linked to a “rich” apprenticeship culture within the company. For example, an Engineering and Manufacturing Technologies company employs all new recruits at either Level 2 or Level 3, due to the owner’s personal experience of doing an apprenticeship and apprenticeships being the traditional entry route for young people in that sector. An expansion of working premises is expected to lead to an increase in Level 2 apprentices recruited next year.

Specifically where Level 2 Business Administration apprenticeship provision had increased, all of this was still on the old framework and it was reported by some employers as a ‘last effort’ to get the necessary training for staff in that area before Level 2 becomes unavailable under the new standards. The employers in this situation reported that the new Level 3 apprenticeship standard was too advanced and too specialised for the recruits they would usually take on.

In the employers where Level 3 apprenticeships were increasing, this was reported as mainly due to one of the following:

- situations where the number of apprentices at all levels offered (including Level 3) had increased, due to either business growth, or desire to use up the apprenticeship levy
- situations where numbers of Level 3 apprentices had specifically been increased, due to
 - specific skill and job role needs at Level 3
 - it being a means to long-term succession planning
 - it being a continuation path for their recent Level 2 completers
 - in some cases, there not being a Level 2 standard available

Whether more apprentices could be supported to reach Level 3

All the audiences felt strongly that there was a continued need to provide an entry route into work for 16-18 school leavers, which some Level 2 apprenticeships were thought to provide. The shared view across all audiences was that Level 2 provides a more basic grounding in a job role, an introduction to professional skills and behaviours, and has a lower level of English and maths requirements. There were some examples of where this need for Level 2 training has been addressed by other means, for example by an employer offering a standalone Level 2 NVQ, or a provider incorporating elements from a previous Level 2 framework into the delivery of a Level 3 standard. However, these approaches tended to be taken on an ad hoc, provider- and programme-specific basis, and required additional support and funding from the provider perspective (often because such training took longer than solely undertaking a Level 3 programme).

Moving from offering a Level 2 to offering a Level 3 apprenticeship was predicated on the basis that the job role linked to the apprenticeship could be adapted to a higher occupational level more aligned with Level 3 requirements, such as including responsibility for supervising other staff. This was not always possible in sectors such as social care where there was limited need for supervisors. However, in cases where learner confidence is the issue, or where the job role on offer is deemed not to be at the required occupational level, it could be that the provision of greater support by both the provider and the employer, and a more long-term view of the process by employers, in terms of how they structure their job roles, might allow more apprentices to start at Level 3.

At present, most employers and providers tended to regard starting at Level 3 as too big a stretch for their current Level 2 apprentices. In business-related areas such as Estate Agency and other office roles this was reported as problematic because it would require

giving an apprentice more responsibility than an employer would usually give to a 16 to 18 year old, for example in terms of preparing accounts or running an office, to meet the requirements of Level 3 Business Administration. One provider had extended the duration of their Level 3 apprenticeship in Business Administration from one to 2 years, to incorporate foundational training in the occupation, but felt that the longer duration of the course may be less attractive to some employers and some apprentices. Some apprentices explicitly stated that the shorter duration of their Level 2 course attracted them to that level as opposed to Level 3; they felt they did not want to commit themselves to a longer duration of study before they had spent some time in the industry and determined if it was the right career for them. Some learners also said that they were more concerned about the job itself than what level of apprenticeship it led to.

Across all audiences, English and maths were raised as particular areas where extra support would be needed for more apprentices to start at Level 3. To address this, one employer felt that they could better support apprentices to reach Level 3 if they had in-house tutors for English and maths, although they thought this would be difficult to fund. Another employer suggested that unutilised Levy money should be made available to fund schemes to support apprentices, such as developing training centres for functional skills. One suggestion made by a provider representative body was to make it easier for apprentices with learning difficulties or disabilities to gain an exemption from the English and maths requirements, without requiring an Education, Health and Care Plan (EHCP)¹⁸ at the time they start their apprenticeship. Although this might conflict with the desire for apprenticeships to conform with minimum standards, it would make the current system more consistent for people with Special Educational Needs and Disabilities (SEND) who do not already have an EHCP, as those with an EHCP can currently receive an exemption.

Some providers felt that traineeships could be particularly useful for candidates who need to work on their English and maths skills, although this was raised more in relation to getting them ready for Level 2 rather than being able to go straight into Level 3. Another provider said they do not currently offer any pre-apprenticeship training, but are looking at implementing something to bridge the gap in skills in areas where there is not a Level 2 standard available, and where candidates are not able to take on a Level 3 immediately.

Learners with higher qualification levels were perceived by some employers to be more capable of attaining a Level 3 apprenticeship than those without 'good' academic

¹⁸ An Education, Health and Care Plan (EHCP) identifies educational, health and social needs of children and young people aged up to 25 who need more support than is available through special educational needs support, and sets out the additional support required to meet those needs. EHCP assessments can be requested from the Local Authority, who will notify the requester within 16 weeks whether an EHC plan will be made for the child or young person.

qualifications (by this, employers tended to mean several Grade C or equivalent passes at GCSE, including maths and English). They felt that more support could be offered in schools to encourage higher-achieving students to apply for apprenticeships. A similar point was also raised by some employers and an employer representative body. Some interviewees across all audiences (including apprentices themselves) considered that raising awareness of apprenticeships in schools could lead to more candidates with higher levels of academic achievement starting a Level 3 apprenticeship. There were examples of some employers who had actively worked with the education and training providers in their area to make sure they have a good recruitment pipeline for new recruits at Level 3, for example by offering structured work experience placements to BTEC students on relevant courses.

Conclusions

Decisions around the level of apprenticeship starts are made primarily by employers based on their needs, with training providers largely taking on the role of assessing the learners to ensure they are placed on an appropriate level. This suggests that learner demand has been a smaller factor in the decrease in Level 2 apprenticeships, compared to the role of employers and providers.

Employers, providers, and stakeholders identified a number of reasons for the decline in Level 2 apprenticeships, discussed in this report. Most believed that the decline was negative, because Level 2 is perceived to provide a suitable entry-level route into employment for people with lower level qualifications and skills, and Level 2 apprenticeships match the entry level job roles for which employers have a need. This reveals a tension between the purpose for which many of these apprenticeships are *currently* being used (to recruit and train new job entrants of different age groups, including school leavers, often with low skills and little or no work experience), and the intended purpose of apprenticeships following the recommendations of the Richard Review (2012), which recommended that apprenticeships should be redefined to target job roles requiring sustained and substantial training.

Among the employers who had increased their Level 3 starts, a number of strategies were being utilised which could potentially be rolled out to other employers if demonstrated to be effective:

- using Level 3 apprenticeships to target specific skills gaps and to tackle succession planning within the business
- changes to recruitment and onboarding procedures such as reducing the amount of written evidence required (to aid applicants who might otherwise struggle with English levels) and increasing the amount of both academic and pastoral support offered to learners

- alternative routes into Level 3: offering employees a standalone qualification such as an NVQ at Level 2, before then progressing to a Level 3 apprenticeship
- work experience collaborations
 - working in partnership with a college to take on work experience candidates studying a relevant vocational qualification
 - allowing the learners to begin a Level 3 apprenticeship based on their combined qualification
 - practical workplace experience

Suggestions to help more apprentices start at or attain Level 3 can broadly be divided into 2 categories: increased support and opportunities for learners; and structural changes including simplifying the process for exempting English and maths requirements for learners with special educational needs, and extending the funding for Level 3 standards if more time is required to attain them.

1. Introduction

In this section, we set out the background to the research and its principle objectives, outline the methodology, and as part of this discuss the interpretation of the research findings. Lastly, we summarise the structure of the report.

1.1 Background and context

Apprenticeships are at the heart of government policy to tackle skills challenges, improve productivity and enhance social mobility. The Productivity Plan¹⁹ (2015) and ‘English Apprenticeships: Our vision 2020’²⁰ (2015), confirmed the target of 3 million apprenticeship starts by 2020, and a government commitment to improve the quality of apprenticeships while also raising volumes. There has been significant reform of apprenticeships since 2013, informed by the Richard Review²¹ (2012) and the Holt Review²² (2012). This has involved policy initiatives to improve the quality of apprenticeships, including a mandated minimum 20% off-the-job (OTJ) training requirement, the introduction of Apprenticeship Standards to replace Frameworks by August 2020, the 12-month minimum apprenticeship duration, and a shift to end-point assessment (EPA). These have been introduced to bolster quality, partly due to concerns raised in the Richard Review (2012) that apprenticeships were being used to accredit existing skills within the workforce rather than upskilling existing staff or employing new recruits.

In funding terms, the biggest change to apprenticeships has been the introduction in April 2017 of the Apprenticeship Levy (among employers with a wage bill of over £3 million) and employer co-investment (among smaller employers, who initially had to contribute 10% of apprenticeship training costs, but this dropped to 5% during the course of fieldwork for this research²³). The principle assumption underlying these changes is that employers will have more ‘purchasing power’ with providers and therefore more input and control over the content and delivery of apprenticeships.

Data indicate that since 2016/17 there has been a reduction in overall apprenticeship starts in England, and a shift in participation with an increase at Level 4+ and a large fall at Level 2. The fall in Level 2 has been apparent since 2014/15, but this accelerated from 2016/17 onwards. Recent published statistics²⁴ in July 2019 show that apprenticeship starts in Quarter 3 of the 2018/19 academic year increased in comparison to the same

¹⁹[Productivity Plan \(2015\)](#)

²⁰[English apprenticeships: Our Vision 2020 \(2015\)](#)

²¹[The Richard Review \(2012\)](#)

²²[The Holt Review: Making apprenticeships more accessible to SMEs \(2012\)](#)

²³[Apprenticeship funding: how it will work](#)

²⁴[Apprenticeships and Traineeships, England: July 2019](#)

period in 2017/18 but remain below equivalent figures in 2016/17 and 2015/16. For example, Level 2 starts fell by around 10%, Level 3 starts increased by around 7%, and Level 4+ starts increased by 68% (albeit from a much lower base), compared with the same period in 2017/18.

The overall decrease in Level 2 apprenticeships is most pronounced in the 4 largest Sector Subject Areas (SSAs):

- Business, Administration and Law
- Health, Public Services and Care
- Retail and Commercial Enterprise
- Engineering and Manufacturing Technologies

Over the period between 2016/17 and 2017/18 the only SSA with an increase in Level 2 apprenticeship volumes was Information and Communication Technology (ICT)²⁵.

Alongside these changes in apprenticeship volumes there has been a reduction in the volume of traineeship starts (a small but important pathway into Level 2 apprenticeships among young people)²⁶. For example, there were 17,700 traineeship starts in 2017/18, a decrease of around 13% compared to 2016/17. The decline in Level 2 apprenticeship numbers detailed above, should also be considered within the context of lower participation in further education (FE) by adult learners²⁷ generally, especially at Level 2, which fell by around a third between 2016/17 and 2017/18²⁸.

One of the potential consequences of the Richard Review (2012) reforms, which it highlighted, was proportionately more apprenticeships at Level 3 and above, compared with Level 2. However, this was in the context of planned growth in total apprenticeship volumes overall, with decline at Level 2 offset by increases at Level 3 and above. Richard (2012) highlighted alternative pathways, such as the potential expansion of traineeships as an entry route, as a way to ensure access to Level 3 apprenticeships.

²⁵ [Apprenticeships and traineeships data](#)

²⁶ The number of those aged under 19 starting a Level 2 apprenticeship fell by 20% between 2016/17 and 2017/18. However, apprenticeship starts at Level 2 fell by more for older groups over the same period – down 36% for 19-24 year olds and down 52% for those aged 25 or older.

²⁷ Adult learners are defined as being aged 25 or older.

²⁸ [Further Education and Skills, England: 2017/18 academic year](#)

1.2 Research aims

The Department for Education (DfE) commissioned this research with the overarching aim of understanding the drivers of change in Level 2 apprenticeship numbers, and how that affects starts on other programmes. The specific aims of the project are to:

- identify and explore the factors affecting changes in the numbers of Level 2 apprenticeship starts since 2016/17
- identify and explore the effect(s) of the change in numbers of Level 2 starts and its interplay with other programmes, including Traineeships and Level 3 apprenticeships
- explore whether lessons can be learned from exceptions, for example where employers within the 4 SSAs of interest are increasing Level 2 starts and/or Level 3 starts
- identify possible policy responses to the overall change in the number of Level 2 starts, for example whether and how to support learners to begin at higher levels if Level 2 is not in demand by employers and therefore not being offered by providers

Underpinning these aims was a detailed set of research questions applicable to stakeholders, providers, employers, and learners exploring the causes and effects of the change in numbers of Level 2 apprenticeships (see Appendix 1). For example, whether the decline in Level 2 reflects employers delaying decisions on recruitment as they adjust to the Levy and other funding changes, or whether it represents a more substantive change in employer behaviour (such as not wanting to pay towards accrediting existing skills), reaction to other apprenticeship reforms (such as the minimum 20% OTJ training requirement), or a shift in demand towards higher level skills.

1.3 Methodology

The qualitative methodology spanned 4 different audiences: stakeholders (provider, sector and employer representative bodies), training providers (both FE colleges and Independent Training Providers (ITP)), apprentices (current Level 2 and Level 3 apprentices) and employers of Level 2 and/or Level 3 apprentices. The employers interviewed encompassed 24 who paid the Apprenticeship Levy and 12 who did not.

The methodology comprised:

- telephone depth interviews with 12 stakeholders, consisting of general and sector-specific employer representative bodies, and provider representative bodies, lasting around one hour each – these were conducted at the outset of the project

in order to provide an overview of and insight into issues prior to the fieldwork with employers and providers

- telephone depth interviews with 36 apprentice employers in the 4 SSAs of interest, the majority of whom had reduced their number of Level 2 starts but including a small number who had increased them
 - recruitment quotas were set by SSA, levy-paying status, whether apprentice numbers had decreased or increased at Level 2/Level 3, and whether the employer was in an area of high deprivation
 - the sample was drawn from a combination of employers who agreed to be re-contacted at the end of the Apprenticeship Employer Evaluation Survey (AEvS) 2018/19²⁹, together with a sample drawn from the Education and Skills Funding Agency (ESFA) database of apprenticeship employers on the Individualised Learner Record (ILR), targeting employers in the categories of interest (for example whose Level 2 apprentice volumes had decreased or increased in the past 2 years)
- a mixture of telephone interviews and face-to-face one-to-one interviews with 20 apprenticeship providers, including 11 FE colleges and 9 ITPs – 9 interviews were conducted face-to-face, with 11 conducted by telephone
- a mixture of one-to-one in-person and telephone depth interviews, and 3 mini-focus groups, with a total of 23 Level 2 and Level 3 apprentice learners across the 4 SSAs, spanning 10 providers – of the learners interviewed, 2 had previously started and dropped out of a different Level 2 apprenticeship and 4 had done a traineeship or other form of pre-apprenticeship preparation, prior to their current apprenticeship

The interview data was digitally recorded with permission from respondents and written up in a structured analysis framework, with headings linked to the topic guides. Data was then analysed (coded) thematically and synthesised across the audiences to address the research questions.

1.4 Interpreting the findings

Employers were recruited for the research based on having either decreased or increased their Level 2 or Level 3 apprenticeship numbers within one or more of the 4

²⁹ [The Apprenticeship Employer Evaluation Survey](#) is a large-scale, representative survey of apprentice employers in England conducted on a regular basis, with the most recent report published in March 2020. It covers employers' experience of offering apprenticeships: who they took on and to what types of apprenticeship; their motivations for offering apprenticeships; the way the apprenticeships were delivered; the outcomes for their apprentices; and, the satisfaction of employers and their future intentions. It also assesses employers' awareness of, and response to, the Apprenticeship Levy.

target SSAs. Where opinions differ clearly between types of respondents, such as Levy paying and non-Levy paying employers, these tendencies are drawn out in the text.

It is important to note that the research is qualitative and therefore provides insight into the reasons for and impacts of changes, rather than any prevalence. This means that whilst the research aimed to obtain a wide range of perspectives, its qualitative nature and purposive sample design (which targeted a majority of employers who had reduced their Level 2 and/or Level 3 apprentice volumes) means that findings cannot be taken as representative of the wider populations of employers, providers or learners. This is of particular importance when interpreting employer views within SSAs, due to the small number of employer interviews conducted per SSA. As such, the use of 'all' 'most', 'many', 'some' and 'few' in this report are illustrative of the prevalence of views amongst research participants in this study. They are not generalisable to the wider population, and consequently verbatim quotations are included to provide insight and illustrative examples of the points being made only. Nevertheless, the findings do provide insights into the breadth of issues that likely exist within the wider population of employers, providers, apprentices and stakeholders.

1.5 The structure of this report

The report is structured as follows:

- chapter 2 discusses the factors affecting employers' decisions to offer, and learners' decisions to undertake, apprenticeships at Level 2 or at Level 3
- chapter 3 explores different reasons contributing to the decline in Level 2 apprenticeship volumes in the 4 SSAs covered by this research
- chapter 4 looks into the reasons why some organisations are exceptions to the trend and are increasing Level 2 apprenticeships
- chapter 5 explores perceptions about the extent to which more apprentices could be supported to reach Level 3, including starting directly at Level 3 rather than at Level 2
- in the conclusions section we draw out the implications of the research findings for future take-up of Level 2 and Level 3 apprenticeships

2. Factors affecting decisions about Level 2 or Level 3 apprenticeships

This chapter explores the differences in perception between Level 2 and Level 3 apprenticeships, and the reasons employers offer, and learners undertake them. Both levels have value in different contexts: Level 2 is generally considered by stakeholders, employers, providers and apprentices as most suitable for entry level staff who need a foundation level of training in order to fulfil a job role; and, Level 3 is considered more suitable for more specialised or supervisory level roles, or for where more technical skills are required as the entry point.

2.1 Why employers choose Level 2 versus Level 3 apprenticeships

2.1.1 Reasons employers offered Level 2

For the most part, the level of apprenticeship was inherently linked to the nature and skill level of the job that came with it. This is important to note at the outset of this chapter, because it meant that employers were not necessarily actively choosing between Level 2 or Level 3: they were choosing the most appropriate level of apprenticeship for the jobs they needed to fill. For example, one large public sector employer has historically recruited multiple Level 2 Business Administration apprentices, mainly young people aged 16-18, as entry-level staff in roles such as administrative assistants, receptionists and clerks. This employer typified the view that Level 2 was the most appropriate entry point for these roles, in terms of providing structured training and office experience to enable apprentices to perform basic administrative duties. The employer emphasised that many of their recruits were young people who had left school with relatively low GCSEs and little or no office-based work experience: in the employer's view, they would not be recruited to do this type of job unless it was through an apprenticeship.

In a similar example, within the Health, Public Services and Care SSA, most of the care employers who took part in the research highlighted that Level 2 was the basic level for care assistant / care worker jobs which form the bulk of the roles they have to offer.

In both these examples, which typified the majority view among employers, Level 3 apprenticeships were described as being more specialised, requiring a higher level of literacy and numeracy (due to the different demands they involved, such as project work), and often linked to jobs with more responsibility (such as Human Resources Assistant, Paralegal, or Lead Care Worker). Conversely, where Level 2 is offered as the entry qualification, it is seen as the most suitable level for candidates, with a higher likelihood that they will be able to successfully complete the programme compared with Level 3, due to their entry qualifications. Among young people in particular, employers reported

that many candidates for Level 2 apprenticeship positions did not have Level 2 qualifications such as 5 GCSE passes at Grades A* to C, and/or had relatively low literacy and numeracy³⁰. The perception among most employers and providers who offered Level 2 is that such young people would not be recruited to a Level 3 role because of their lack of relevant work experience and skills, and if they were they would struggle to pass an apprenticeship at Level 3 without the grounding that a Level 2 apprenticeship provides. Across all the SSAs, a few employers also reasoned that starting apprentices at Level 2 could give apprentices more confidence to progress. This is because such apprentices were unused to achieving qualifications, and achieving at Level 2 was a potential springboard encouraging them to do a higher-level qualification in the future:

As a way of demonstrating to them [apprentices] that their abilities were of a higher level.

Employer, non-levy paying, Health, public services and care

Several employers reported that it is company policy to start all apprentices at Level 2. This is in part driven by wanting to create a standardised, foundation level of training and skills across the majority of the workforce and in part because the company predominantly recruits people with little prior experience of the role. For example, one manufacturing employer reported that they usually take on apprentices with no prior relevant work experience and therefore it is mandatory that they start at Level 2. This is because Level 2 provides them with the required level of skills to effectively work on the production line, while fulfilling health and safety requirements, and being able to perform basic 'troubleshooting' maintenance tasks on the machinery (rather than more technical assessments and repairs). In contrast, as noted later in this chapter, other employers in Engineering and Manufacturing Technologies – generally those whose workforce was predominantly employed in skilled trade occupations such as welding or electrical engineering – considered Level 3 as their key entry point.

Many employers (across all 4 SSAs) held the view that taking the potential of a young, untrained candidate and moulding them in the ethos and ways of the organisation will result in an employee that understands the organisation, feels loyal towards it, and can effectively perform their job, which - over time - might lead to progression to more senior

³⁰The most recent published figures date from 2013/14 but these show that most Level 2 apprentices do have five GCSE passes at Grades A*-C, although the proportion is lower than for those doing Level 3 apprenticeships.

roles. Apprentices themselves were also positive in this regard (discussed later in this chapter). As one manager of a retail apprenticeship programme said:

From a staff perspective it's a way they can develop and also to be positive towards the business, as we are looking to develop them through the business.

Employer, levy paying, retail and customer service

This employer also commented that doing a Level 2 apprenticeship leads to staff becoming more 'multi-skilled' than if they had been employed as a 'standard' (non-apprentice) member of staff, as doing the Level 2 apprenticeship means that they carry out a range of duties in order to meet the standard.

Changes to the content of apprenticeships also influenced a few employers' decisions about which level they could offer. For example, one health and social care employer reported that changes in the units offered in the Level 3 apprenticeship have meant that Level 2 is now their default starting point, whereas previously they could have started more experienced candidates on Level 3. This employer reported that Level 3 units now include a supervisory and review element. As these activities are only part of a more senior role, this means that even some experienced carers are no longer able to undertake Level 3 as they do not have any supervisory responsibilities as part of their job.

Within certain sectors there are also external factors that can make Level 2 a requirement. For example, some employers offering health and social care apprenticeships stated that the Care Quality Commission (CQC)³¹ recommends a certain proportion of carers should be qualified to Level 2. Another employer offering Business, Administration and Law apprenticeships reported that client stipulations through their recruitment company meant they had no choice but to take on Level 2 apprentices.

2.1.2 Reasons employers offered Level 3

Among most employers who provided Level 3 apprenticeships, the main reasons were to upskill existing staff and offer progression routes. Their view was that Level 3 was more suitable for higher level occupations, aimed at more experienced staff who were looking to move into more specialised roles with more responsibility. This applied across employers in all the SSAs. However, some employers in Engineering and Manufacturing Technologies viewed Level 3 as their key entry point, where the bulk of their workforce needed more specific technical skills. For example, one manufacturing company with a

³¹ The CQC is the independent regulator of health and adult social care in England. More information can be found on its website: <https://cqc.org.uk/>

production line environment wanted most of its staff to have Level 2 only and did not need many more skilled staff, whereas some others who mainly employed electrical engineers or welders, needed them to start at Level 3 because that job role is more skilled.

It is also possible that a company has already trained its staff to at least Level 2, and as such can now focus on further progression. One employer was enthusiastic about developing its own staff and having strong succession plans in place. The result is that they can now focus on providing Level 3 programmes for their staff because of the 'foundation' level they have all reached at Level 2.

A few employers mentioned examples where they had the possibility of choosing between Level 2 and Level 3 apprenticeships, depending on the candidate. In one instance, a Human Resource (HR) director in the Health, Public Services and Care SSA said that when recruiting for Level 2 they will consider experience and qualifications. They reported that they will move the candidate straight to Level 3 if it is feasible and mutually beneficial – i.e. if the company has a job role to meet the Level 3 apprenticeship content, and if the candidate demonstrates the ability to pass, in terms of their prior work experience, qualifications, and level of English and maths.

2.2 The perceived characteristics of Level 2 and Level 3 apprentices

2.2.1 Perceived characteristics of Level 2 start

One of the perceived benefits of the Level 2 apprenticeship, cited by most employers, providers and apprentices, is the opportunity it provides to introduce new recruits to the workplace and a specific industry, so they can acclimatise to both the general working environment and the specific sector, learn job-specific skills and gain work experience in a structured way to become proficient in their job role.

Most employers, providers and learners alike recognised that completing a Level 2 apprenticeship was a confidence builder which could encourage people to progress to higher levels. Having no previous requirements enabled access for people who had not achieved strong GCSE results (for example 5 A*-C grades) and reassured learners that they were starting at the beginning. This was important for younger apprentices (aged 16-18) or those with no relevant work experience in particular, because it meant that they did not feel 'under pressure' to do the job effectively from the start. Instead, being a Level 2 apprentice meant that they could build up their role gradually as they gained more experience and skills, with the knowledge that more experienced/senior colleagues knew they were still learning.

Among all employers, providers and apprentices the perception of Level 2 apprenticeships was that they are roughly equivalent to A*-C GCSEs³². Some employers and providers (across all SSAs) reported that in their experience apprentices undertaking Level 2 occupations tend to have lower academic qualifications (and typically fewer than 5 A*-C GCSEs) compared with those undertaking Level 3, and may also have lower literacy and numeracy skills. Among the Level 2 apprentices who took part in this research there was a mix of prior qualifications, ranging from no qualifications at all, to A-levels – most of them had a mix of grades at GCSE i.e. above and below grade C.

2.2.2 Perceived characteristics of Level 3 start

According to providers, the requirements of a Level 3 apprenticeship are likely to involve more of the learner's own input than a Level 2 apprenticeship, for example more demanding assignments and project work. For a Level 3 apprentice, all employers and providers needed proof of ability to learn, as shown through qualifications, and evidence of transferable skills such as maths, English and IT. In some sectors such as Health, Public Services and Care, this needs to be accompanied by prior work experience, to enable the level of contribution expected at Level 3. Some providers cited this as important given that Level 3 apprentices may receive less workplace supervision than at Level 2 in certain job roles such as social care, where there is an expectation that they will already have completed a lower-level, job-specific qualification such as the Level 2 apprenticeship or diploma. Therefore, in such instances job-specific Level 2 qualifications are an entry requirement for Level 3 apprenticeships.

The widespread perception among most employers, providers and apprentices was that candidates with prior experience of the workplace and/or higher entry qualifications (such as BTEC or A-levels), as well as good English, maths and communication skills, were more likely to start apprenticeships at Level 3 than at Level 2. In part, this is because they are recruited to a more demanding job role and need to be able to demonstrate the capability and aptitude to do that job. Among the Level 3 apprentices who took part in the research, most had 5 or more GCSEs at grades A*-C, with some having additional qualifications such as A-levels or BTECs.

All the Level 3 apprentices who took part in the research reported that they needed good English, maths and communication skills as well as strong technical / scientific understanding (among the Level 3 Engineering apprentices). One Level 3 Business Administration apprentice thought that they would not have been able to complete their

³² A Level 2 apprenticeship is equivalent to 5 GCSE passes at Grades A*-C; a Level 3 apprenticeship is equivalent to A-levels. See, for example: <https://www.gov.uk/apprenticeships-guide>

programme without having the work experience that they had gained during their Level 2 apprenticeship, first:

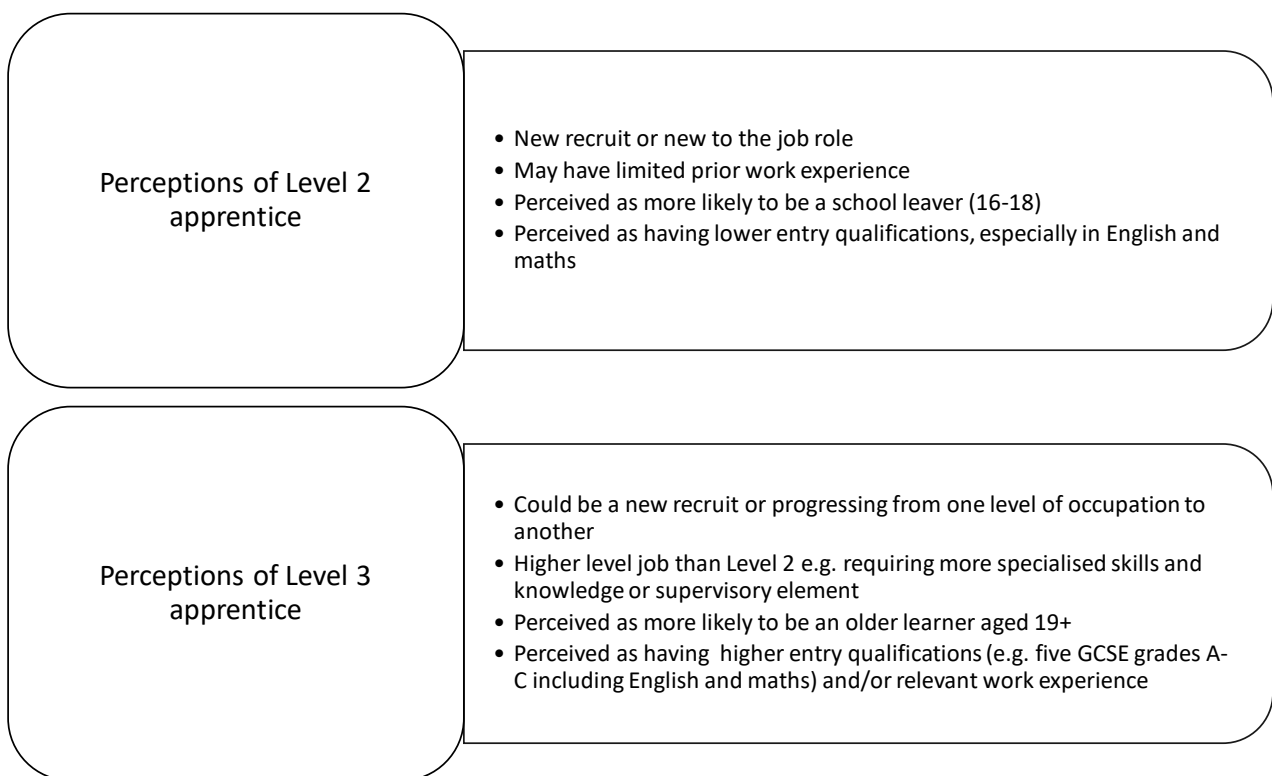
I wouldn't have had the right experience. A lot of Level 3 stuff is about regulation, legislation, all that sort of thing – I think you'd need to be in business at least a year to know how to work.

Level 3 apprentice

In some SSAs (for example, Business Administration) the typical Level 3 apprentice was defined by having completed Level 2, and in such instances entry to Level 3 was a function of successful completion of Level 2 in terms of employers' requirements and apprentices' knowledge, skills and self-confidence.

Figure 1 below summarises the perceived differences between Level 2 and Level 3 apprenticeship starts.

Figure 1: Summary of perceived characteristics of Level 2 and Level 3 apprenticeship starts



Source: IFF Research

2.2.3 What do Level 2 and Level 3 standards actually require?

It is worth exploring some of the specific job roles and entry requirements of Level 2 and Level 3 standards in greater detail, to illustrate the differences between them, for

example within one sector (social care); and, between the requirements of Level 3 apprenticeships in social care and engineering. We have selected these as examples because they best illustrate the differences within and between the 4 SSAs covered by this research.

For Adult Care Worker Level 2, the main responsibilities, as stated on the Institute for Apprenticeships and Technical Education website³³, include direct care of clients, following procedures, communicating with others, health and safety knowledge, working professionally and working towards own personal development. Typical job titles associated with this standard include Care Assistant, Care Worker, and Support Worker. The mandatory qualification for this standard is the Level 2 Diploma in Care. No entry requirements are listed.

By contrast, for Lead Adult Care Worker (Level 3), the main responsibilities listed include far more supervisory elements, including knowing and understanding both own and others' job roles, how to lead and support others to ensure compliance with regulations and procedures, and being able to guide, mentor and contribute to the development of colleagues; many of these responsibilities would naturally be beyond the capabilities of someone taking their first job in the sector. Typical job titles associated with this standard include Care Officer, Care Supervisor, Senior Care Worker, and Supervising Care Officer. The mandatory qualification for this standard is also higher - the Level 3 Diploma in Adult Care.

Turning to the Engineering and Manufacturing Technologies SSA, while Level 3 standards might require a higher level of technical knowledge and ability, there do not tend to be the same requirements for supervising other staff, making it a more plausible starting point for an entrant with little or no actual work experience in the sector. For example, Engineering Technician (Level 3) has main responsibilities including understanding health and safety regulations, understanding general engineering principles, understanding of common materials and techniques, understanding engineering data and documentation, working in a team, using correct processes, completing required documentation, and continuous professional development. So while considerable learning and technological knowledge would be essential to complete the standard, the requirements do not involve any supervision of other staff, making it more suitable for an entry-level candidate. Reflecting the technical requirements, this standard specifies particular academic entry requirements (listed as typically 4 GCSEs at grade C or equivalent, including English, maths and a science), unlike either of the care standards which did not list any formal entry requirements.

³³ [Institute for Apprenticeships: Apprenticeship Standards](#)

These examples provide a clear distinction within and between SSAs in terms of the specific requirements and responsibilities of apprenticeship roles at different levels, which match with the perceived characteristics of a Level 2 and Level 3 start: with employers in Health, Public Services and Care viewing Level 2 apprentices as entry level compared with Level 3 apprentices who need experience and would operate in a supervisory role; whereas employers in Engineering and Manufacturing Technologies view academic qualifications and technical skills as requirements for a Level 3 start, but not necessarily any prior work experience.

2.3 Learner motivations and choices

It is important to consider apprentices' motivations and choices to explore whether changes in learner demands are influencing apprenticeship volumes. When asked about what attracted them to doing an apprenticeship, either at Level 2 or 3, many learners mentioned an interest in their subject area. For some, this was very job-specific, for example wanting to be a hairdresser, while for others there was a more general interest in a sector and desire to find out more about it. Having made a decision about the type of career they wanted to pursue, they found apprenticeships were the easiest 'way in' - generally at Level 2, but at Level 3 among the Engineering and Manufacturing Technologies apprentices - in terms of the spread of opportunities available across different occupations. This view is typified by a Health, Public Services and Care Level 2 apprentice:

I wanted to try it, had an interest in it. There was a wide range of apprenticeships available.

Level 2 apprentice

Some learners did not want to continue on an academic path, either because of a lack of confidence they would succeed in an academic environment (due to past academic results) or because classroom-based structured learning did not appeal to them. For others, they had either started and completed a different course and realised that it wasn't the right approach for them, or that it was not the best way to reach their career goals. For example, one Level 3 apprentice had completed a BTEC and was considering applying to do a degree, but decided that she preferred to learn in a more practical way instead, while earning, and applied for an Engineering apprenticeship.

A recurring theme amongst all learners (at Levels 2 and 3) was a desire to have a job and to enter the world of employment while learning. They also reported that the prospect of being able to earn money while learning was a powerful motivator, but some apprentices also reported doing an apprenticeship was less daunting than moving

straight from school into the professional world. As one Business, Administration and Law apprentice put it:

Even though you get responsibility, it wasn't as overwhelming or daunting.

Level 2 apprentice

Many providers also commented that the structure of the apprenticeship programme is more appropriate for individuals who are less academic and struggle in school, because it allows them to learn in a more practical way and emphasises functional skills rather than an academic approach to teaching and learning maths and English.

For the most part, learners are aware of the differences between apprenticeship levels, but few reported having autonomy when it came to selecting which level of apprenticeship they did. In many cases, there was no choice of level available to them. Learners were aware of what they wanted to pursue and took the available course of action to help them do so, such as responding to an apprenticeship advertisement made by an employer or their local college. In the instances where a choice of level was available, learners were happy to be advised by either an employer or a programme adviser at a local college.

While most learners who took part in the research were aware of the difference between levels, providers often reported that learners have little knowledge of levels in advance of starting their first apprenticeship and they just know the sector they want to be in:

They don't know about the levels really; they just say, 'I want to work in childcare' or 'I want to work in health and social care'.

FE college

Several providers also made the point that where it is possible to be flexible, they will discuss levels with learners and advise on the appropriate one for them, based on the job requirements and their prior level of attainment / experience. However, this is not always possible as it depends on the specific occupations they are trying to fill. For example, for the role of adult care worker, Level 2 was typically regarded as the appropriate entry point. The Level 3 qualification was viewed as being a 'step up' from this - aimed at lead care workers with responsibility for providing supervision and direction for others.

Most learners found out information on apprenticeships through their own research or via parents or older siblings. Several providers and apprentices highlighted that in their view, schools do not sufficiently promote apprenticeships, instead encouraging the traditional

sixth-form route. Learners tended not to mention their school as being a source of initial information or support regarding apprenticeships, lending credence to this view.

2.4 Chapter summary

Taken together, the issues raised in this chapter suggest that when undertaking a first apprenticeship (at Level 2 or at Level 3) the level is determined primarily by employer need (in terms of the specific roles they need to fill), as translated through the provider. This suggests that apprentices operate in an environment where opportunity to do an apprenticeship in the sector and at the level they want is shaped by providers and employers. This suggests that learner demand is less of a factor in terms of the change in Level 2/3 numbers, than what is offered by employers and providers.

There is also a clear distinction within and between SSAs in terms of the specific requirements and responsibilities of apprenticeship roles at different levels, which match with the perceived characteristics of a Level 2 and Level 3 start. Generally, Level 3 starts are perceived to have either more direct work experience of the role (to enable them to fulfil the additional responsibilities required of Level 3, such as supervising other staff) and/or higher entry qualifications, including higher levels of maths and English, together with broader technical knowledge and understanding (particularly in Engineering and Manufacturing Technologies, which has specific entry requirements for Level 3).

In terms of the *causes* of the decline in Level 2, the issues raised in this chapter suggest that employers draw a clear distinction between Level 2 or Level 3 apprenticeships when determining what they need, with different perceptions about what type of person is suitable for each. This means that there is little likelihood of adapting job roles in equivalent volumes, from those requiring Level 2 to those requiring Level 3.

3. Causes and effects of the decline in Level 2 apprenticeships

In this chapter we explore the causes and effects of the decline in Level 2 apprenticeship volumes in the 4 SSAs covered by this research. When interpreting the findings in this chapter it should be noted that the focus of the employer sample was those who had decreased Level 2 and/or Level 3 numbers. This means that employers' views are weighted towards those who have potentially more negative views of recent apprenticeship reforms.

3.1 The 20% OTJ training requirement

As part of the apprenticeship reforms introduced in 2017, there are stringent requirements for evidencing the 20% of apprentice time that should be spent in OTJ training. While some apprenticeships already required 20% OTJ training, the general perception among many of the employers interviewed for this study was that this was an increase. This may be due to increased publicity regarding the '20%' requirement or in response to more stringent evidencing requirements.

Level 2 apprenticeships in the Engineering and Manufacturing Technologies sector tended to be already meeting the 20% OTJ training requirement and did not find evidencing 20% OTJ training a challenge as they have traditionally had this time built into their programmes, for example through day release. However, the perception - which is confirmed by the 2018-19 Apprenticeship Evaluation Survey³⁴ - was that the employers in the other SSA areas (Health, Public Services & Care, Business, Administration & Law, and Retail & Commercial Enterprise) have historically provided lower levels of OTJ training. As such, they have found it more difficult to accommodate OTJ training and meet the requirements around evidencing the training time.

Through interviews across the different audiences, 3 key issues emerged in relation to the 20% OTJ training requirement: burden placed on employers (in terms of staffing costs, administrative burden and preparation time required); perceived burden placed on providers; and, apprehension among learners. This section addresses each issue in turn and draws out the perceived implications for each of these audiences.

³⁴ The [2018-19 Apprenticeship Evaluation Survey](#) found that 90% of Engineering apprentices reported receiving any *formal* training during their apprenticeship, higher than the 81% of Retail apprentices, 80% of Business apprentices and 76% of Health apprentices. Furthermore, the survey estimated that, of those receiving training, Engineering apprentices received an average of 10 hours formal training a week, compared to 5.3 hours in Retail, 4.2 hours in Business, and 3.6 hours in Health apprenticeships.

3.1.1 Perceived burden on employers

The most frequently mentioned issue around the 20% OTJ training requirement across some stakeholders, providers and employers, was the burden it places on employers. These respondents spoke of the cost implications for having such a relatively large portion of time dedicated to OTJ training (compared to what had been provided before the reforms). Employers who reported this viewed OTJ training as taking staff away from their company - a deficit view of OTJ training. They felt that they either had to arrange cover for the time apprentices spent in training or potentially risk suffering a loss of productivity that comes from a shortage of staff. This decreased the perceived value for money apprenticeships offer, for some levy and non-levy payers alike.

If you employ someone for 37 hours a week you want them to work 37 hours a week.

Stakeholder, provider representative body

Some of our Matrons are really struggling to be able to justify that time out...they don't want their core staff not available.

Employer, Levy payer, Health, Public Services and Care

The Health, Public Services and Care and the Retail and Commercial Enterprise sectors particularly struggled with the staff shortages associated with the OTJ training requirements. These sectors tend to involve customer/patient facing roles where there is a need for a certain number of staff in specific physical locations at a particular time. For example, an employer stakeholder pointed out this was the case for their larger employers in the retail sector who ordinarily struggle to have enough staff to cover the shop floor. An FE college and nursing employer reported that patient care can be affected as a result of more mandatory training time as the number of frontline staff drops when people are taken out for training. A childcare employer noted that the 20% OTJ training requirement exacerbates an already existing staff shortage. As such, OTJ training creates scheduling difficulties for employers as they need to factor in the time for the training and organise resource to cover the gaps. It was also felt by a provider that budgets were particularly tight in the Health and Care sector and with main costs spent on staff, organising resource to cover any gaps created from Level 2's being on training was not always realistic.

There never used to be as much teaching and learning in health and care, it used to be more on the job, but now trying to pull them out of the care home where they are stuck for cash anyway and put them in college for a day a week doesn't really meet that care home's requirements.

Provider, FE college

While this refers to the day release model of delivery, the wider point being made is that 20% of apprentice time being spent away from their usual duties was presenting issues for employers of apprentices whose roles involve dealing directly with customers or patients, such as in Retail and Commercial Enterprise and Health, and in Public Services and Care.

Engineering and Manufacturing Technologies was an exception in terms of finding the 20% OTJ training difficult to accommodate. Two providers described how employers have always factored in time for OTJ training, so it has not caused a shift in how they run their apprenticeship programmes. This was supported by the Engineering and Manufacturing Technologies employer interviews insofar as none flagged 20% OTJ training as an issue (differing from all other sectors).

20% off the job hasn't been a problem in things like engineering and manufacturing, because traditionally they have been delivered one day a week at college.

Provider, FE college

Small and Medium Enterprises (SMEs), typically non-levy businesses, were also prone to struggle with short staffing because of the OTJ training requirement. If businesses have a small number of employees (e.g. 5 or 6 employees), losing one of them for the equivalent of one day a week could represent a substantial decrease in productivity. As described in the 2018-19 Apprenticeship Evaluation Employer Survey, smaller employers had a much larger number of apprentices relative to their size than larger employers. This would imply that it would be less expensive to cover back-filling for larger employers, in relative terms.³⁵

Along with providing cover for apprentices in training, the related administrative burden was another cost associated with the perceived increase in the OTJ training requirement by employers. Time must be invested in arranging the apprentice's time off - both in terms of what the apprentice should be doing (i.e. liaising with a provider) and sourcing cover to replace the apprentice. These administrative activities are not covered by the funding routes (levy/co-investment) and so the costs have to be absorbed by levy and non-levy employers.

³⁵ [Apprenticeships evaluation 2018-19: employers](#) (see, p.31).

[Small employers] haven't got money in their budget to pay for [OTJ training and employer contribution], they haven't got anybody within their organisation to take on the extra administrative burden that it comes with.

Provider, ITP

Another cost, reported by some providers, was the time employers had to invest in monitoring or assisting delivery of the training. This was particularly an issue when apprentices were not on day release with the training provider. One provider mentioned having to train employers on how to mentor their apprentices when the provider is not physically there to support them in the workplace. Another FE college reported that, in their experience, Level 2 adult social care has declined heavily because it was too difficult for employers to find something for the apprentices to do each week that would count towards the training requirement. Similarly, one of the healthcare employers stated:

At the moment, the apprenticeship gives you lots of administration, lots of financial management, it gives you lots of work for a reducing product outcome.

Employer, Levy payer, Health, Public Services and Care

These findings suggest that before the 2017 reforms enforcing evidencing of the OTJ training requirement, some employers were not providing OTJ training equivalent to 20% of the apprentice's paid hours.

One provider stakeholder mentioned that alternatives to apprenticeships were being explored, such as nurseries acquiring a loan to offer discrete non-apprenticeship courses considered a net cheaper alternative. This respondent reported the time and cost implications of OTJ training has led to a shift to online courses amongst the early years employers they work with. The same stakeholder also mentioned that, in order to make their apprenticeship offer more attractive to employers, they (in their role as a training provider) were conducting OTJ training in week blocks. This suggests the format of provision of OTJ training can likely be adapted by some providers to better meet employer needs, although this is clearly dependant on provider capacity and will vary between them. The need for such an approach was reiterated by an employer who did not perceive this flexibility among the current apprenticeship provision on offer to them.

[We're] trying to find a qualification...not an apprenticeship, because we can't afford to have them going off site every week...looking for a course where they'll go in a classroom, learn for a week, and we're finding that very difficult.

3.1.2 Why Level 2 is affected in particular

The 20% OTJ training requirement applies for all levels of apprenticeships under the new reforms, however some employers felt it to be a greater issue with lower level employees (specifically Level 2) because there are more of them, and they tend to be in customer-facing roles. It was felt by these employers that lower levels require greater levels of supervision and management, so having the 20% OTJ training requirement added to this in terms of having to plan for cover and evidence the time. In addition, for those who deal directly with clients or customers, direct cover is needed to be able to maintain service levels. Moreover, more experienced employees (i.e. those doing higher levels) were perceived to be able to manage their workload and time more effectively, and did not necessarily require direct cover as they were less likely to spend so much of their time in customer or client-facing roles.

In the context of the time and cost implications associated with OTJ training, 2 employers (in Engineering and Manufacturing Technologies and Health, Public Services and Care) and 2 providers felt that Level 2 apprentices were not as beneficial to the organisation as compared to those on Level 3 or higher. This view was underpinned by an attitude that if employers are going to lose a member of staff for a substantial amount of time, then the preference would be to have an apprentice come out of it with a higher qualification. Level 2 apprentices are doing less skilled roles than higher level apprentices and so the positive effects of the training for the apprentice were reportedly less impactful to the employer than higher levels.

Further to this, one nursing employer thought that they were better able to support apprenticeships at higher levels, giving the example that their Level 5 associate nurses have more time for training and development built into the job role. This means that unlike with their Level 2 apprenticeships, there are fewer staffing pressures at Level 5. As discussed earlier in this chapter, 20% OTJ training was seen an issue across the Health and Care sectors, however this would suggest it was mainly an issue at lower levels.

A common theme that emerged across all audiences was that 20% OTJ training was not felt to be suitable for all programmes. Some thought that certain apprenticeships did not require such a high level of OTJ training, especially for lower level apprenticeships in sectors such as Retail and Commercial Enterprise or Business, Administration and Law.

It's a bit arbitrary that it's a minimum of 20% for all standards. For retail standards do you really need 20% of your time off the job, couldn't there be a more flexible approach depending on job. For instance, a level 6 retail standard, you absolutely [need] more than 20% off the job.

Stakeholder, employer representative body

Partly, this was because some employers and providers thought the need for on-the-job experience outweighs the need for, or benefit of, theoretical or classroom training for lower level apprenticeships (commonly misunderstood by some employers to be the only form OTJ training can take).

If you're a business administration person, yes you come in and learn some theory, but you do not need to be learning theory effectively for one whole day a week. You need to have the theory, you need to have the support, and you need to apply that to what you're doing on the job. And it's by continually applying it that you become good at your job.

Provider, ITP

Employers in the Engineering and Manufacturing Technologies sector were generally more supportive of the 20% OTJ training requirement, compared to those in other sectors such as Retail and Commercial Enterprise and Business, Administration and Law. The only query raised by employers in the Engineering and Manufacturing sector was in reference to OTJ training having less of an impact at Level 2 compared with higher levels because lower level apprentices do not require as much depth from their training to do their role. Presumably (though not discussed in the interviews) the historical prevalence of OTJ training in Engineering and Manufacturing Technologies is linked to a recognition that workers in these sectors require it to learn specific technical skills needed to do a high skilled job. The other SSAs (such as Retail and Commercial Enterprise, and Business, Administration and Law) may not have required such technical knowledge or skills. This might be why these sectors (as opposed to Engineering and Manufacturing) may have traditionally focused on learning on the job rather than OTJ training. These potential historical differences between sectors may help to explain differences in employer attitudes to 20% OTJ training.

One provider representative body stated that OTJ training is only valuable if the apprentice is learning something relevant to the actual job on any given OTJ training day, suggesting that an increased amount of time spent on training was not necessarily a measure of increased quality. An FE college reported that some employers and providers are defining activities as training to adhere to the 20% requirement that are not of any value to the apprentice. This provider suggested OTJ training was regarded as a box ticking exercise in these cases which suggests a lack of commitment to quality OTJ training amongst some. One learner mentioned that in their job role it is hard to find something to do each week that counts towards OTJ training, which suggests in this case that the need for the training is to meet the requirement rather than being skills driven.

This could suggest a shorter apprenticeship might have been more appropriate for this apprentice.

I feel like one day a week is quite a lot...[it's] hard to find something new for like a year and a half.

Level 3 apprentice

3.1.3 The learners' perspective

There were fewer issues reported with OTJ training among the learners than amongst employers and providers. There was a split in terms of whether apprentice respondents considered OTJ training when deciding to undertake an apprenticeship but regardless, in contrast to employers and providers, most spoke positively about this element of their programme. Some found it to be quite flexible - for example, splitting OTJ training up over days, exploring new or different areas of the business or arranging work via Skype. This suggests the perceived benefits and drawbacks of OTJ training can differ depending on whether one is a direct recipient of training (apprentices) or an indirect recipient and facilitator (employer). An integral part of the OTJ training definition is that "it is not training delivered for the sole purpose of enabling the apprentice to perform the work for which they have been employed"³⁶ and, in light of the more positive responses from learners, it is possible some employers lose sight of this when evaluating its worth.

However, not all learners spoke positively of their experience of OTJ training. One learner described being the type of person who would rather learn through the job itself, rather than at college. As a result, these apprentices found switching between work and college environments quite difficult. Moreover, some other apprentices found the amount of training required too high.

I feel like it's a bit much, quite a lot. For level 2 I struggled a lot, so it was quite a rush towards the end to try and like build the hours up.

Level 3 apprentice

[The right amount of training would be] not too much, because you learn a lot here and I suppose that's the point. Little things to recap on things, I suppose I go - maybe... one day every month or so?

Level 2 apprentice

³⁶ [Apprenticeship funding rules and guidance for employers \(see p. 7\)](#)

Some employers elaborated that learners coming straight from school and into Level 2 apprenticeships may have more negative feelings associated with classroom learning than those progressing through a more traditionally academic route (for example, college or university). As such, some apprentices new to employment tend to be more focused on doing the work itself, rather than theoretical aspects of the training or practical aspects delivered in a formal learning environment. The implication is that because of this, the OTJ training requirement may deter potential applicants from pursuing apprenticeships. Alternatively, apprentices at these lower levels may find undertaking apprenticeships more challenging.

3.1.4 Misperceptions of what 20% OTJ training means

All audiences exhibited some misunderstanding around what the 20% OTJ training requirement entails, which in part led to the apprehension around it. Some stakeholders and providers considered that some employers do not grasp that OTJ training can be woven into weekly activities in the workplace, rather than entailing a day a week outside of it. There are a lot of activities which can be built into working time more easily than day or block release, which employers do not typically equate with OTJ training, for example shadowing, mentoring, and/or conferences. This lack of clarity amongst employers was highlighted by some providers and stakeholders as causing apprehension around OTJ training and a contributory factor in terms of the decline in Level 2 apprenticeships.

[Understanding the 20% OTJ requirement is] preventing people taking on apprentices because they can't commit the time to mentor and carry out the OTJ training, however part of that is that initially when it was launched it wasn't marketed very well...it doesn't just mean that apprentices are meant to be at home one day a week.

Provider, FE College

It's inconsistent. Employers get different messages from training providers and they try to accommodate it while not understanding how it works.

Stakeholder, employer representative body

As well as not understanding the flexibility of the 20% OTJ training, an employer stated there was also confusion around knowing who monitors OTJ training and what criteria it is being monitored against. One stakeholder thought such confusion around the requirement, as well as other aspects of the apprenticeship reforms, was particularly problematic for smaller businesses.

If you have a system that is complicated, then small businesses are less likely to engage with it because they don't have the same resources as larger businesses and they do not have the time to find out how the 20% of-the-job training works, how the co-investment elements work.

Stakeholder, employer representative body

3.2 Concerns around learners' ability to meet required standards

3.2.1 Barriers associated with functional skills requirements

The existing requirement to achieve Level 1 maths and English (functional skills) before or within a Level 2 apprenticeship was a cause for concern among employers and learners. Many employers, and some providers, felt that Level 1 maths and English is too difficult for some learners who are at risk of not passing this requirement. They reported the potential for failure demoralises these learners and is cost adverse for employers to invest time and money into apprentices who might not successfully complete all elements of their apprenticeship.

Some of the requirements for entry into some apprenticeships pathways, (especially in management) are way beyond what is available in terms of learner capabilities right now.

Provider, FE college

Although not explicitly addressed in the interviews, passing the functional skills requirements would be an issue specific to Level 2 and 3 apprenticeships as those at higher levels do not tend to require specific passes in functional skills (but rather, a higher level of qualification or experience³⁷).

A key reason that the requirements were felt by employers and some providers to be too high is that, much like the concerns around the 20% OTJ training requirement, learners who are not academically inclined may struggle. Many employers explained that their learners often chose apprenticeships to follow a more practical route of learning into employment and to escape the academic route.

³⁷ [Entry requirements for apprenticeships in England](#)

The reason people often do apprenticeships is because they are not great with academia. And with end point assessments, with things like study skills units, with the maths and English what they have actually done is turn it academic...

Employer, Levy payer, Health, Public Services and Care

The concern about functional skills was mentioned by some employers across all SSAs, but was reported most frequently in the care industry and among nurseries. It was felt that having Level 1 English and maths functional skills qualifications was not required to carry out the actual job and that this requirement was a barrier for those who otherwise could work in the sector. It was also felt that the care sector tended to attract candidates with lower entry qualifications than Engineering and Manufacturing Technologies.

We used to train anybody that we thought had the potential would be a good practitioner, if they didn't get their maths and English at least we still have a qualified member of staff.

Employer, non-Levy payer, Health, Public Services and Care

The implication of this is that, potentially, the requirement for functional skills could be applied in a more nuanced way across sectors, however this could risk undermining the quality of the apprenticeship. As such, the findings suggest a tension between access to apprenticeships and sector-specific needs on the one hand, and quality apprenticeships that give people essential transferable skills and qualifications on the other hand.

Since the functional skills requirement was introduced, some employers (across the Health, Public Services and Care, Retail and Commercial Enterprise, and Business, Administration and Law SSAs) have taken it upon themselves to provide extra training to support learners to help them pass. This can be costly to the employer in 2 ways. Firstly, some struggle with the additional time taken away from doing the job, particularly in the context of the 20% OTJ training requirement. Some employers (and providers) voiced their frustration that the additional functional skills training cannot be included as part of the 20% OTJ training requirement, and about the cost incurred by sourcing the additional support such as providing English and maths tutors. As the functional skills component is funded by the ESFA where the apprentice does not already have a suitable equivalent English and maths qualification³⁸, this highlights a lack of understanding amongst some employers (and providers) about which costs are already covered (by levy funds, for example).

³⁸ [Apprenticeship Funding Rules](#) (see, p.134)

Similarly, some providers reported providing extra support for learners to achieve functional skills qualifications. One FE college gave an example of running a week long intensive functional skills course to get them up to the level that is needed prior to starting the apprenticeship. This reportedly made their learners more attractive to employers seeking to take on an apprentice.

Some employers did not mention providing additional training for functional skills, with a few specifically stating they do not have the resources or capacity to do so. Rather, some employers have been turning away apprenticeship applicants that do not already possess functional skills; or those they think are not going to be able to pass functional skills tests. As a consequence, it is possible that this may be one of the factors in the decline in Level 2 apprenticeship starts. Some employers select applicants based on GCSE results (and indeed some learners mentioned having to re-take GCSEs, for example English and maths, before being accepted by an employer onto an apprenticeship) or through their own assessments, either via the provider or as part of their recruitment process. One employer also mentioned preferring to recruit older applicants as they felt they were less of a risk in terms of being able to pass their functional skills.

So, we won't put any staff on the apprenticeship that have any chance of failing [maths and English], so the people we are 100 percent confident of them completing it - so that's a big factor in why our apprenticeship numbers have gone down... If they didn't get a grade D at school they're not going to be able to do Level 2 functional skills.

Employer, non-Levy payer, Health, Public Services and Care

A few employers in the Health, Public Services and Care SSA reported that they had seen a reduction in Level 2 apprenticeship numbers because they had started rejecting Level 2 applicants on the basis that they would not be able to pass the required maths and English for a Level 3 apprenticeship. Their business relied so heavily on the natural progression from Level 2 to Level 3 that they only want to accept applicants who they feel confident have the potential to pass at both levels.

If their maths and English is really bad, we can't take them on, and so a lot of them fall by the wayside because we simply won't recruit them because we're not confident that they're going to be able to progress.

Employer, non-Levy payer, Health Public Services and Care

As well as employers turning away applicants, a few employers thought that the requirements deter learners from applying in the first place. This echoes the findings that academic requirements can be daunting for the learners (see p.36). While the learners

interviewed did not report any apprehension with the maths and English requirement generally, one apprentice highlighted that it could be difficult to fit in time for this learning while learning a trade:

Make sure you have your maths and English because it will take a lot of your time up. Then you can concentrate on just doing your hairdressing, instead of doing your maths and English on the side as well.

Level 3 apprentice

3.2.2 Barriers associated with the End Point Assessment

New apprenticeship standards include an EPA, which is a synoptic assessment that takes place at the end of the apprenticeship. This is in contrast to the frameworks that rely on continuous assessment. Many employers across all 4 SSAs thought the EPA would be too challenging for their Level 2 learners to undertake at the end of their apprenticeship. Similar to the functional skills requirement, there was a lot of concern among many employers about the risk of learners not passing.

Among those employers and providers who felt passing the EPAs was an issue, it was thought that those applying for Level 2 apprenticeships were more likely to struggle academically than apprentices doing higher levels and that Level 2 apprentices often have not done well in exam type assessments. Conversely, applicants for Level 3 and above are perceived to be more likely to already have the English or maths qualifications. As such, those with prior higher-level qualifications were seen by some employers and providers as better equipped to pass EPA than those typically applying for Level 2 apprenticeships. One employer suggested that an integrated approach would be more suitable for those at lower levels whereby assessments would occur throughout the programme, instead of a single high stakes assessment held at the very end. This employer thought this approach to assessment would be less daunting for the learners.

Many of the employers daunted by the EPA reported that they did not find it useful for their business, and one employer in Health Public Services and Care stated that they would remain on frameworks rather than transfer to standards for as long as possible to avoid the EPA. As frameworks will be replaced by standards by the end of July 2020, a fall in Level 2 apprenticeship starts may be the result of employers such as these not wanting to make the switch to standards because of the perceived drawbacks of EPA.

We already have a robust qualification for our industry [Early Years], they can get maths and English. They don't need another assessment, they don't need an hour and a half interview, they don't need to do a portfolio.

Employer, non-Levy payer, Health, Public Services and Care

There were 3 main concerns reported by some employers regarding EPA, which some of them linked to their preference for frameworks or a shift away from apprenticeships at Level 2:

Costs of EPA re-sits

Employers (and some stakeholders) expressed a concern over the possibility of having to pay for EPA re-sits or re-takes. One FE college mentioned that it was approximately 20% of the programme cost³⁹ which employers would find expensive. A Health, Public Services and Care employer expressed that having to pay for EPA re-sits meant they would prefer other options such as a standalone diploma more favourably than apprenticeships. To mitigate the risk of paying for re-sits, they have reduced their number of Level 3 apprenticeship starts. Though the issue remains for Level 2, the apprenticeship is mandatory for Health, Public Services and Care employees so Level 2 numbers have remained the same with this employer.

Administrative burden

One employer stated that their biggest issue with the reforms was the significant administrative burden the EPA placed on them. This was because it took place after the end of the programme, so they had to manage the apprentice for much longer than anticipated. Some stakeholders and providers mentioned confusion around how End Point Assessment Organisations (EPAOs)⁴⁰ work, an issue in particular for smaller/non-Levy employers. It is worth noting, however, that this was not reported to affect Level 2 more so than other levels.

All the EPAOs could do it differently and it's not clear to employers, they come to us and say 'can you deal with it' but it's the employer who has to handle it now.

Provider, FE college

A few FE colleges flagged that some employers did not understand their duties with EPAOs or felt it burdensome deciding which to choose:

Employers weren't aware of how involved they would have to get with choosing EPAO. The reforms now require more from employers, but the employer won't do it. Once they have spent their levy they won't want to know about it.

³⁹ EPA costs a maximum of 20% of the funding band for the standard.

⁴⁰End Point Assessment (EPA) is the final assessment apprentices must undertake at the end of each apprenticeship standard to test whether they have gained the knowledge, skills and experience required by the standard. EPAs are delivered by independent End Point Assessment Organisations (EPAOs), who must be approved by the Education and Skills Funding Agency (ESFA) and added to the Register of Apprentice Assessment Organisations (RoAAO).

Provider, FE college

Preparing learners for EPA

As with the functional skills (though mentioned to a smaller extent), some employers invested in extra training to help learners pass. One stated they conducted extra sessions on EPAs, encouraged learners to discuss their role with a variety of people to increase confidence and conducted 'mock' assessments. Despite this, they found it still did not make the learners feel that much more comfortable. Preparing learners for EPA is a barrier most relevant to Level 2 apprenticeships as employers were more concerned about this group passing their EPA than among apprentices doing higher levels.

Some employers and a few providers mentioned that the EPA could deter learners from applying for apprenticeships, as they would find it 'daunting'. Having a pass or fail assessment at the end of the programme was perceived as a problem for those less academically inclined and who were daunted by what they perceived to be tests or exams.

Now students who are not particularly academic and do not enjoy the traditional learning methods of assessment and exams, they do not appreciate the method of EPA. So, I think it may put some students off, and it may prevent students who are not so academic from acquiring the qualification.

Provider, FE college

The picture among the learners themselves was more mixed. This makes it difficult to conclude whether the decline in Level 2 apprenticeship starts was in part driven by an apprehension of learners towards the EPA. Some thought it fine to cope with, compared it to school, or thought it was difficult but worthwhile.

It's good building me up for working life, as I'm probably going to have to do [presentations] in the future, but as a 16-year-old doing that, it might be a bit daunting.

Level 3 apprentice

I don't know what to expect as I haven't done it before, it's still feeling a bit daunting.

Level 3 apprentice

These differences in views of the EPA between employers and providers, and learners, demonstrate a tension between the sometimes low levels of confidence that some

employers and providers have in their Level 2 apprentices', or potential apprentices', capability to pass EPA and that of apprentices themselves.

3.3 Funding changes

As discussed in the introduction of this report, the 2017 apprenticeship reforms resulted in a new apprenticeship funding system. The following sub-sections discuss how these funding changes, in particular the introduction of the apprenticeship levy and employer co-investment for non-levy payers have influenced take-up of Level 2 apprenticeships.

3.3.1 The Apprenticeship Levy

For the apprenticeship levy to be a contributing factor to the fall in Level 2 apprenticeships, employers need to have switched from funding Level 2 apprenticeships to higher levels, not simply increased higher level apprenticeships. Several providers and stakeholders reported that employers are often utilising their levy money to fund higher level apprenticeships (at Level 4+) to upskill their existing staff, rather than to fund Level 2 apprenticeships which are more likely to be relevant for new recruits to the industry. This was felt to be a result of employers' desire to spend their levy pot in a way which provides the best value for money, particularly by incurring fewer additional costs. If apprenticeships are provided to existing employees rather than new recruits, then no additional recruitment costs, additional salary or supervisory costs are incurred.

We've seen a big dip in companies wanting to do Level 2 and 3 apprenticeships, they all seem to want to do higher level apprenticeships. They just want to spend the levy pot.

Provider, FE college

Levy paying retail employers find it difficult to make apprenticeships viable at Level 2. The cost to the business is higher than the levy payment - another 20 -30% on top of their levy contribution.

Stakeholder, Employer representative body

Related to this, some stakeholders mentioned that because funding bands for higher apprenticeships are much higher than for Level 2 apprentices it is more economically viable for employers to use their levy pot to train a small number of higher apprentices than to take on a larger number of apprentices at Level 2. Similarly, some stakeholders also highlighted that higher-level apprenticeships were more economically viable (and therefore attractive) for providers, than those at Levels 2 or 3.

When the funding rates were put out, the first ones to come out were predominantly Levels 4, 5 and 6 and they were heavily funded, for example £27,000. So training providers probably went after those because they were economically viable to run. When you've got lots of Level 2 and Level 3's that are funded at a much lower level, then you've got difficulty making a business model work.

Stakeholder, Employer representative body

Some of the levy paying employers interviewed confirmed that the introduction of the levy has resulted in them carefully considering what they spend the levy money on, and that this has led to them deciding to concentrate on upskilling existing staff at Level 4 and above. One employer, for example, explained there had been an increase in higher level apprenticeships as the organisation was now using the levy to upskill existing employees through apprenticeships rather than through NVQs⁴¹. Another had used the levy to upskill existing employees at Level 3 and above, including those in engineering roles who were felt to have potential to progress to management positions. These cases provide examples where the levy has displaced other training and encouraged some employers to pay for more supervisory and management level training via apprenticeships.

Where before we would probably have outsourced that [supervisory and management training] to a normal training provider and paid for that, that is actually done through the levy now.

Employer, Levy, Engineering and Manufacturing Technologies

One provider representative body noted a shift towards degree level apprenticeships in engineering firms in particular. This is perhaps not surprising, as the Review of Post-18 Education and Funding (May 2019) stated that large employers, especially in engineering, have for many years supported some of their apprentices through degrees, and will naturally expect to continue this using levy funding.⁴²

A few employers noted that the uncertainty around the levy resulted in them pausing recruitment of apprentices while they got used to the new system, impacting their delivery of Level 2 as well as other levels. It does not seem to have affected Level 2 more than higher levels.

⁴¹ National Vocational Qualifications (NVQs) are qualifications based on recognised occupational standards, involving work-based and/or simulated work-based assessment and which confer occupational competence.

⁴² [Review of Post-18 Education and Funding, May 2019 \(page 152\)](#)

In 2017 the levy came in and it was so confusing that no one had any confidence in what we were doing, or meant to be doing...Nobody really knew how it [the levy] was working; from our point of view it wasn't very well communicated.

Employer, Levy, Engineering and Manufacturing Technologies

With the levy we wanted to make sure that we understood it right and we were doing the best for our organisation in managing it. So there was that combined with the internal politics at the time that meant there was that initial reluctance while we got our heads around it and we were comfortable with what we were doing.

Employer, Levy, Business, Administration and Law

Uncertainty about the levy process leading to reduced uptake of Level 2 apprenticeships was also reported by a number of providers. One felt it was possible that because providers and employers were now much more familiar with the funding of apprenticeships, the number of Level 2 starts may rise.

Now that it [the nature of the levy and the co-contribution] is a lot more clear and training providers have got a grasp of it and they're giving sound advice, I think that it will steady itself out and then go back on the rise because from my point of view the biggest area that we get targeted is Level 2.

Provider, FE college

The view that the recent reduction in Level 2 apprenticeship starts might be reversed over time as employers get used to the new funding rules (and once existing staff have been upskilled meaning employers will need to turn their attention to new recruits) was shared by some providers, stakeholders and employers.

The numbers will pick up. Especially because if I have 3,000 staff as an employer and use my levy funds to upskill them, at some point in a few years there won't be any more existing staff to train, so need to spend it on new people.

Stakeholder, Provider representative body

However, views on this were mixed, and other employers, providers and stakeholders felt the focus in the near future would be on an increase in the number of higher-level apprenticeships. This was typically because these are seen by employers as the most effective use of their levy pot (as they are primarily used for existing staff and do not incur additional recruitment and salary costs, as is often the case for Level 2 apprenticeships which are often primarily targeted at new recruits) and a perception that there is an

increased demand from employers for better management and higher end technical training and expertise. While this brings substantial benefit to employees receiving high-level qualifications, and substantial productivity gains to individual companies, it goes against one of the original apprenticeship aims, of providing entry into the workforce and subsequent progression.

3.3.2 Co-investment

Some of the non-levy paying employers interviewed stated that the 10% contribution (changed to 5% for apprenticeships starting on or after 1st April 2019) required for apprenticeship training is a significant cost which makes taking on apprentices less appealing for small employers.

I think [for] SME employers, you need to get rid of this 10%...you'd find that small companies would start to take apprentices again, and you'd see an increase in the Level 2s.

Employer, Non-levy payer, Business, Administration and Law

One employer representative body said that co-investment was off-putting in the Health and Social Care sector in particular, and a provider noted:

Small employers within the health industry aren't willing to pay any money at all for their staff to be trained, so if they have to pay they just won't train them.

Provider, Independent training provider

One FE college indicated that some smaller employers are reluctant to take on apprentices aged 19 and above as they did not want to have to pay the co-investment contribution (co-investment is waived for employers with fewer than 50 employees if the apprentice is defined as a 16-to-18 year-old).

Another FE college reported that employees from businesses that pay the co-investment contribution are now looking to do a higher level of apprenticeship because they can get a degree level qualification at much reduced cost to themselves when doing it through their employer.

For example, engineering employers want the HNC, HND included because they are investing more into it and paying for it through the levy. Especially 10% investors as the employees can get a degree for next to nothing.

Provider, FE college

A few providers who were aware of the (at the time) forthcoming reduction in contribution from 10% to 5% welcomed this and felt it could have a positive impact on the take-up of Level 2 apprentices. However, one still felt it would pose a barrier for micro businesses⁴³.

The change from 10% to 5% contribution is good but these micro businesses still have to pay wages and supervision costs on top, when they have very little surplus cash.

Provider, FE college

One stakeholder expressed the view that the apprenticeship funding system in general has become increasingly complicated, with co-investment contributing to this. Their view was that the complexity of the funding system is a factor discouraging engagement in the apprenticeship programme. Another stakeholder reported that providers are wary about offering apprenticeships to non-levy employers, as they cannot guarantee funding being available (as it is capped).

Training providers that previously worked with small businesses now say they do not have the funding for small businesses. It has become unreliable for many training providers to actually offer training to small businesses, and that's one of the biggest problems currently in the apprenticeship landscape.

Stakeholder, Employer representative body

One employer representative body explained that when funding changes for non-levy employers came in, a lot of providers were unsuccessful in getting onto the register and getting a non-levy allocation. The transition seemed to be very difficult for providers, so for some SMEs the specialist provider they used was no longer available. This impacts delivery of apprenticeships in general, though not specifically those at Level 2.

One provider's experience in particular supported this finding. This provider reported being unsuccessful in getting the non-levy contract, which resulted in a period of about 7 months where there was no SME government grant they could access for apprenticeships, and this had an impact on the number of applicants. They later managed to link with an ITP in London, for which they now work as a subcontractor.

The college was in 3 million pounds worth of debt due to the fact that we couldn't recruit the Level 2 and 3 learners in the quantities that we'd previously done. Not having the non-levy contract made a massive difference.

⁴³ A micro business has fewer than ten employees.

3.4 Transition to standards

The transition from apprenticeship frameworks to standards has presented a number of issues which stakeholders, providers and employers alike deem to have affected Level 2 volumes. These issues are explored in the following sub-sections.

3.4.1 Reduction in funding for some Level 2 apprenticeship programmes

Apprenticeship frameworks will be withdrawn on 31st July 2020 and are being replaced with standards, which are intended to better meet the needs of employers by being more focused on occupational competency in comparison to the 'qualification-led' frameworks. Several stakeholders and providers noted a reduction in funding for some Level 2 apprenticeship frameworks where there is now a standard available in the same occupation. The impact of this has been that for some providers it is no longer viable to run these programmes. A few providers reported that they are still currently running Level 2 frameworks, for example Business Administration Level 2, because there is a demand for them, but are doing so at a loss.

As an industry, other providers have dropped the Level 2 as it's not viable, the funding band that's attached to it means providers are running at a loss. That is why there has been a decline in the Business Admin Level 2.

Provider, Independent training provider

One FE college reported that they barely break even as a result of the reduced funding. If they were an independent provider they would probably choose to stop offering Level 2, but as they are a college they are legally obliged to continue.

One stakeholder in the Health and Social Care sector reported that Level 2 and 3 apprenticeship standards have the same cost band⁴⁴, and as such, some employers are more likely to start their employees at Level 3 as they see it as better value both because it is a more advanced qualification, and it will avoid them having to fund the Level 2 where a Level 3 is the desired end level. On a related theme, one FE college felt that if the Level 2 Business Administration framework was funded the same as the Level 3

⁴⁴ Different level apprenticeships may have the same funding band in specific cases, however, the funding band is decided on a standard-by-standard basis.

standard, the decline in the Level 2 numbers would likely be reversed because the Level 2 is seen as a popular entry route to work.

3.4.2 Lack of clarity about the content of new standards

Standards are being developed by employers in the form of Trailblazer groups⁴⁵, guided by a Relationship Manager, and approved by route panels at the Institute for Apprenticeships and Technical Education⁴⁶. The length of time taken to approve some Level 2 standards and a perceived lack of clarity about the content of some of the new standards was reported by some stakeholders, providers and employers as a contributing factor in the reduction in Level 2 apprenticeship starts. There is thought to be too much uncertainty in some subject areas, for example Engineering and Manufacturing Technologies, about what the new standards will involve and how relevant they will be. Employers are considered by some providers to be unsure about the new standards generally, with many preferring to wait until things are clearer, which has contributed to the reduction in Level 2 numbers.

I don't think there has been sufficient information provided to employers and providers in advance of that decision being made in terms of how programmes are designed and written - content and assessment criteria. The awarding body has not asked us about any of these reforms. We were just asked to jump on that after the decision had been made, which I think was a mistake.

Provider, FE college

3.4.3 No equivalent standard

The lack of a similar standard for some Level 2 frameworks was highlighted by a few employers, providers and stakeholders. Examples of this include Early Years, Business Administration, Mechanical Engineering, and Bus and Coach Engineering apprenticeships. Where employers have entry level roles that are regarded as 'Level 2', if no Level 2 standard exists an employer representative body reported these employers are likely to stop offering apprenticeships.

Because of the majority of apprenticeships offered by small businesses being Level 2 and Level 3, not all frameworks have been "recreated" as standards, so certain types of frameworks that small businesses rely on will no longer be available to them e.g. Business Administration Level 2.

⁴⁵ A group of employers who work together to design new apprenticeship standards for occupations within their sectors.

⁴⁶ <https://www.instituteforapprenticeships.org/>

Stakeholder, Employer representative body

One stakeholder stated that *in their view*, the majority of standards being developed are at Levels 3, 4 and 5; the volume of Level 2 standards being approved is slower⁴⁷, and further, even where the Level 2 standard was ready, there was not always an EPAO ready to assess them.

One employer representative body was aware of levy payers struggling to find an appropriate level and standard that meets their needs, with some frustration where they have identified a need but where the standard has not been approved; this particular stakeholder highlighted there was concern about the lack of a Level 2 Business Administration standard. An employer in the Engineering and Manufacturing Technologies sector also stated that they sometimes find there is not a standard that meets their needs.

We are continually looking for other opportunities to use our levy for internal development...what stops some of that is there isn't always the scope or breadth of standard to support what we might want to do. For example, quality control within a factory - we're not aware of any standards for quality control, if there was, we'd probably use that.

Employer, Levy, Engineering and Manufacturing Technologies

One employer stated that for the Bus and Coach Engineering Level 2 framework the most similar standard is in HGV Engineering and this does not address the specialisms of the bus and coach industry that the business operates in. The standard is at Level 3 which is not suitable for everyone's academic ability in terms of maths and English. This employer thinks more in-house training to develop functional skills will be required as a result, to ensure apprentices can achieve the Level 3, however they do not currently have the resources for this.

We've just got to be a lot smarter with the people we take on i.e. identifying them, we're probably going to be a bit more stringent this year and go with our minds rather than our hearts, just because someone is quite capable in the workshop that doesn't get them a qualification unfortunately.

Employer, Levy, Engineering and Manufacturing Technologies

⁴⁷There are currently 131 approved standards for Level 2, 197 for Level 3, 94 for Level 4, and 29 for Level 5:
<https://www.instituteforapprenticeships.org/apprenticeship-standards/?levelFrom=8&includeApprovedForDelivery=true>

A provider also commented that there was a gap in Level 2 apprenticeship provision, but also felt that some Level 3 standards are at a very high level.

So there are no Level 2 programmes and some of the Level 3 programmes are not really Level 3 [they are considered more advanced]... Some of the requirements for entry into some apprenticeships pathways, (especially in management) are way beyond what is available in terms of learner capabilities right now.

Provider, FE college

This was also an issue with Business Administration, in that a provider found that employers wanting more generic administrative staff find the Business Administration Level 3 standard too high a level - it is perceived as being more suitable for specialised roles (for example, in HR Assistant positions rather than more generic administrative jobs). Several employers and providers felt the lack of a Level 2 Business Administration standard would result in a significant gap in apprenticeship programme provision, and that a Level 2 in this area would be appropriate for many school and college leavers as an entry to the world of work⁴⁸.

I think if we lose Business Admin Level 2 there will be a big decrease - because then what qualifications are we going to offer somebody who goes into an SME, to help them with their admin, to answer the phone, to help them with the invoicing, to just do general office duties to learn how to work - what are they going to do? They can't do Customer Service because they may not have the interaction with customers, they can't do Business Admin Level 3 because it's too hard for a 16-year-old - I think there will be a massive drop.

Provider, Independent training provider

One employer explained they have had to include Level 2 framework elements in the new Level 3 standard in Mechanical Engineering, otherwise it would be too difficult. Similarly, a provider had done this to bridge the gap between the Level 2 accountancy framework and the Level 3 standard. This was a relatively new development, meaning the impacts of it are yet to be determined.

For accountancy, for instance, we used to have a Level 2 for progression to Level 3. They scrapped that, so we only have Level 3, so we had to put units of the Level 2 within our study programme for accountancy to bridge that gap.

⁴⁸ The Level 2 Business Administration standard proposal was rejected because it did not require 12 months of 20% OTJ training and it was not seen as a distinct occupation, having too much overlap with the Level 3 qualification and Customer Services Level 2.

Provider, FE college

A stakeholder in the Retail and Commercial Enterprise sector mentioned that the Level 2 Hairdressing standard is more difficult than the Level 2 framework and described it as equivalent to a 'Level 2.5' framework. As such, it is more difficult to get suitable candidates, regardless of it being a higher quality programme.

Similarly, an FE college no longer offering Level 2 apprenticeships in Engineering due to the lack of apprenticeship standard said they have had to turn people away and have had to tell some employers that their employees were not ready to do the Level 3 standard.

Whereas if we'd had that Level 2 as an alternative, we could have said you could progress to Level 3. It's about opening doors for people that apprenticeships weren't traditionally for that haven't engaged with education who then don't have the qualifications to jump straight into a Level 3, 4 or 5.

Provider, FE college

Across the audiences interviewed, many stated that a 16 year old leaving school with no work experience would not be an appropriate candidate for a Level 3 apprenticeship standard, and where no Level 2 apprenticeship was available alternative routes into work-based training would need to be identified, such as through pre-employment or traineeship programmes.

3.4.4 Reductions in provision

A provider representative body stated that some providers that previously focused on Level 2 apprenticeship provision are taking the decision to quit the apprenticeship market or shut down entirely. They explained that some providers are shifting away from offering Level 2 apprenticeships due to them not being profitable, standards not being available, and lower demand because more employers are concentrating on higher level apprenticeships. Some providers that only delivered Level 2 have shut down, while others are moving to other types of training and dropping their Level 2 offer.

Due to funding cuts, providers can't afford to offer Level 2 frameworks, and there aren't equivalent standards available, so they've stopped going out and offering Level 2 to employers. Employers might have still wanted to do entry level but providers have to say they can't afford to do it anymore.

Stakeholder, Provider representative body

This reduction in provision due to the lack of funding was reflected by one employer representative body who was aware of frustration among some levy paying employers

who wanted to spend their levy money on Level 2 and other provision, but who found there was no local provision for the apprenticeship standard of interest.

One FE college explained that the switch to standards required new investment in technology for technical programmes for OTJ training, for example the purchase of machinery for engineering courses. For one Level 2 programme it cost £250,000 to update the machinery. While they had invested in this, they felt many colleges cannot afford it and therefore are unable to provide that apprenticeship anymore. This results in them having to signpost employers further away from their local area to access training, losing clients and also increasing transport costs for employers.

3.5 Higher skill needs

When asked to consider their skill needs over the next few years, several employers expected their need for higher level apprenticeships to increase. This was to allow employees to progress in the company and also reflected their need for more technical skills because of changing job roles and increased automation, the latter particularly common in the Engineering and Manufacturing Technologies sector.

A lot of things are becoming very technical with diagnostic-based engineering and electronic-based engineering. We have to keep up with the times so that is why we have that Level 4 because we want to push things on.

Employer, Levy, Engineering and Manufacturing Technologies

Another Engineering and Manufacturing Technologies employer expected their Level 4 apprenticeship volumes to increase over the next 3-4 years as a result of technological advances requiring a more skilled workforce.

One business had upskilled their staff, so they were now all beyond Level 2. They had no current or anticipated need to recruit at entry level, and instead they had switched from entry to supervisory level training (e.g. from Level 2 Warehouse Operations to Level 3 Team Leaders).

Several stakeholders also highlighted the increased need for technical skills over the coming years across all sectors, and how this will drive a push to higher level skills training.

Research we've done around innovation and productivity found that lots of businesses are anticipating they will increase automation over the next 5 years - that will lead to a need for different, higher level skills.

Stakeholder, Employer representative body

3.6 Perceived effects of the fall in Level 2 apprenticeships

Most employers had not yet experienced any wider impacts resulting from the fall in Level 2 apprenticeships; however, some employers in the Health, Public Services and Care SSA did report wider effects. A few mentioned issues with workforce shortages, due to a lack of Level 2 starts progressing from Level 2 apprenticeships into higher level roles (which has a subsequent impact on Level 3 starts).

Because we are always going to need that lower level who will eventually progress and if you don't get them in at Level 2 we are not getting the natural progression through the business... it has a massive impact on our workforce and our ability to deliver our business.

Employer, non-Levy payer, Health, Public Services and Care

Some employers in Retail and Commercial Enterprise felt less inclined to offer level 2 because of changes such as 20% OTJ training, and were concerned about the impact L2 decline would have on opportunities for young people, and on the sector. Some employer representative bodies also reported concern that the decline in Level 2 apprenticeships means that younger people and those with lower qualification levels may now have fewer opportunities to achieve an apprenticeship and progress.

However, one Health, Public Services and Care employer saw the decrease in Level 2 as connected to a more positive effect of the apprenticeship reforms, in that the Levy had given them the ability to fund higher level training (at Level 4 and above); while previously upskilling staff at that level was felt to be too expensive, since they are being charged the Levy they are now choosing to use it to provide Level 4+ apprenticeships to existing staff.

Among providers, some reported reduced income and, in one case, having reduced their workforce, due to the drop-in learner numbers at Level 2. Some concentrated on higher level apprenticeship provision instead of Level 2 and others were winding down aspects of their Level 2 provision. Some provider representative bodies felt that providers specialising in Level 2 and Level 3 provision were being particularly impacted by the change in Level 2 starts in terms of having to withdraw certain types of Level 2 provision (as it was no longer viable) and either move into different areas (for example, offering apprenticeships at higher levels, or in different SSAs) or close. Respondents did not discuss any effects on traineeships.

3.7 Chapter summary

In this chapter we have set out the factors which employers, providers, and stakeholders consider to be influencing the changes in Level 2 and by extension Level 3 volumes

within the 4 SSAs of interest to this study. Considering these overall, some recurring features emerge:

- uncertainty among employers about how certain aspects of the reforms will work, including the impacts of funding changes - sometimes influenced by confusion about how aspects of the reforms are designed to work (such as EPA or the minimum 20% OTJ training requirement)
- structural changes to the landscape of apprenticeship provision, as new standards come on board and/or old frameworks are not replaced
- an underlying mismatch between the concerns of employers and providers about how Level 2 learners might react to certain elements such as EPA, and the views of apprentices themselves

Wider effects of the drop in the volume of Level 2 apprenticeships were reported mainly by employers in the Health, Public Services and Care, and Retail and Commercial Enterprise sectors, although most employers had not yet observed any wider impacts as a result in the change in volumes. The key perceived impacts were reduced opportunities for young people to get into those sectors, and for progression from entry level upwards. More generally, when asked about impacts, some employers were concerned about fewer progression routes and possible future skills shortages, and some providers reported reduced learner numbers and income.

4. Circumstances in which Level 2 starts are increasing

This chapter discusses the circumstances in which some employers are increasing Level 2 apprenticeship starts, and why. It explores whether any common factors can be identified which might leverage the expansion of Level 2 volumes, finding that the key drivers of increase in those employers covered by this study tended to be business-specific, and related to either business growth/expansion (and therefore new recruitment) or the need to replace staff due to either high turnover or an ageing workforce. The chapter also discusses what lessons might be learned from cases where volumes have expanded.

4.1 In what circumstances are employers increasing Level 2 apprenticeships?

Notably, most employers who registered a clear increase in the number of Level 2 apprenticeship starts were levy payers. Not wanting to let the levy go to waste was mentioned as one of the main drivers behind the increase, usually coupled with wanting to upskill their staff. The latter was seen as having the advantage of making staff more efficient at their job, and also of improving staff retention as employees felt valued and invested in.

That's 550k per year! We're part of the NHS, we can't lose that money.

Employer, Levy payer, Health, Public Service and Care

These same employers explained that the reason why they decided to use the levy to increase Level 2 provision in particular was that, in their experience, Level 2 starters tend to be young people and are more likely to stay with the company for longer. Additionally, the perception among these employers was that Level 2 learners can become more tailored to the needs of the business, picking up extra skills specific to the company throughout their journey.

It's a way they can develop and also to be positive towards the business as we are looking to develop them through the business.

Employer, Levy payer, Retail and Commercial Enterprise

Growing business need was the other main reason for organisations increasing their Level 2 starts. There were 2 different factors underlying this.

4.1.1 Business expansion

Organisations where an increase in size has led to them recruiting more entry level staff and hence Level 2 apprentices. They also noted that they may reduce their Level 2 apprentices next year since they will have filled all the new job posts requiring an apprenticeship.

4.1.2. Replacement demand

Organisations whose policy is to train all new recruits at Level 2 (because it addresses the skills required of entry level staff), in which case the growth reported can fluctuate depending on retention and hence recruitment needs. This tended to be the case mostly in the Engineering and Manufacturing Technologies and the Health, Public Services and Care SSAs. Having an ageing current workforce was a contributory factor reported by some employers in these SSAs.

4.2 Can lessons be learned from instances where employers within the 4 SSAs of interest are increasing Level 2 starts?

As mentioned above, despite some commonalities among employers who increased their Level 2 starts, the key drivers behind their increase were business specific. Most of the increase is solely driven by the business's needs and growth, which also informs their ability or need to spend their levy.

Level 2 increases in some businesses were indicative of a continued need for Level 2 as the entry level in SSAs such as Health, Public Services and Care and the manufacturing side of Engineering and Manufacturing Technologies.

We offer this training because we need it and it fits in with the organisation's requirements.

Employer, Non-levy payer, Health Public Service and Care

Where the increase in Level 2 apprenticeships was not linked to a general business need, it was linked instead to a "rich" apprenticeship culture within the company. For example, an engineering and manufacturing company employs all new recruits at either Level 2 or Level 3, due to the owner's personal experience of doing an apprenticeship and apprenticeships being the traditional entry route for young people in that sector. An expansion of working premises is expected to lead to an increase in Level 2 apprentices recruited next year.

The only thing I can think of is that the owner of this business is an ex-apprentice of mine, so he understands very clearly how important it is to bring new people

and young people into the business. Because he had a chance and was an apprentice himself under this system, he likes to give young people the opportunity to do the same.

Employer, Non-levy payer, Engineering and Manufacturing Technologies

Specifically where Level 2 Business Administration apprenticeship provision had increased, all of this increase in provision was on the old framework system and it was a 'last effort' to get the necessary training for staff in that area before Level 2 becomes unavailable under the new standards.

4.3 Chapter summary

Among the employers where Level 2 starts had increased, the main drivers were business-specific, and mainly related to either economic ones, in terms of business growth/expansion (and therefore new recruitment), or the need to replace staff due to either high turnover or an ageing workforce.

Where the increase in Level 2 apprenticeships was not linked to a general business need, it was linked instead to a "rich" apprenticeship culture within the company often tied to the owner's personal history and commitment to apprenticeships. Other reasons why numbers had increased tended to be specific to particular businesses or to a rush to get apprentices through on frameworks that were due to be discontinued.

5. Whether more apprentices could be supported to reach Level 3

In this chapter we explore employer and provider decision-making around the levels that apprentices are placed on, and perceptions about the extent to which more apprentices could be supported to reach apprenticeships at Level 3, including starting directly at Level 3 rather than at Level 2. All the audiences felt strongly that there was a continued need for training for learners coming straight from school, with limited job experience, or with lower level qualifications which had been provided by some Level 2 frameworks and to cater for some employers who had job roles of an equivalent level.

However, there were some examples of where this need for Level 2 had been substituted, for example by offering a standalone Level 2 NVQ, or a provider incorporating elements from a previous Level 2 framework into the delivery of a Level 3 standard. In the case of the latter approach, this required additional support and funding from employers above the maximum funding band (often because they took longer than doing the Level 3 standard without the additional elements) from employers. The feasibility of these approaches also depended on the relevant job roles being able to support Level 3, in terms of providing an opportunity to develop the required level and range of skills.

5.1 Whether employers and training providers place learners on Level 2 apprenticeships when they could start directly at Level 3 and why

As discussed in Chapters 2 and 3, employers who provided both Level 2 and Level 3 apprenticeships made decisions on their learners' starting level based on the nature and skill level required of the job combined with the perceived capability of each learner: their confidence, their level of experience, and their core knowledge of the role and sector. There was a strong feeling among most employers that candidates capable of starting at Level 3 should not be put on Level 2, although one employer dissented from this view insofar as if the learner lacked the *confidence* to do a Level 3, despite being otherwise qualified, they would put them on Level 2 in the interests of providing them with training.

We would prefer not to; I think it's a waste of resources for them and for us, but if it was a confidence thing and they really, genuinely didn't think they were going to do a Level 3, I'd put them on a Level 2 because I want them in training.

Employer, non-Levy payer, Retail & Commercial Enterprise

Similarly, most providers said apprentices would be placed onto a level or programme in accordance with their skills, experience and the requirements of the job role attached to

the apprenticeship. Providers mentioned a variety of assessments used to check the appropriate level for the learner, including general functional skills tests such as 'bksb' (a popular eLearning provider offering functional skills diagnostics), and more sector-specific assessments.

We've got specific tests for occupational competence, so an electrical test for electricians, letter writing tests for people who want to go into administration, onion chopping exercises for people who want to work in hospitality.

Provider, FE college

One employer (non-levy payer, Health, Public Services and Care) stated that they put all learners onto a Level 2 apprenticeship by default; employees are offered the opportunity to progress to Level 3 after this, but take-up is low, particularly among older employees. They have had rare instances of putting learners straight onto Level 3, but this is dependent on the learner already having the requisite English and maths exit qualifications. Another employer in the childcare sector said they would generally recruit apprentices directly at Level 2 even if they could theoretically start at Level 3, due to the limited number of job roles available at Level 3, which they view as a more supervisory level. The employer said those promoted to the supervisory level used to always be offered the chance to progress to the Level 3 apprenticeship, but this has declined due to the employer having concerns about the employees' ability to pass the EPA. This illustrates how concerns about EPA has reportedly deterred an employer from putting staff through a Level 3 apprenticeship, even though they have promoted those staff to do a relevant job.

One Engineering and Manufacturing Technologies employer said they chose to start their learners on a Level 2 apprenticeship, even if they technically have the English and maths level to start a Level 3, as they feel the Level 2 gives a necessary practical grounding in the basic engineering skills required for the job. Although these skills are technically covered by the Level 3 standard as well, this employer considers that learners would not receive the same depth of experience:

If you've brought somebody into the company I work for, and they were quite good in the education sector – really good maths, really good English – and you brought them in as an engineer, I would always offer them a Level 2 route first because it covers off your functional skills, like your milling, your turning, your welding – all the basic functional skills that you'll acquire in later life throughout your engineering career... You'd still cover them [at level 3] but you wouldn't quite know how they work – tools, equipment etc.

Employer, Levy Payer, Engineering and Manufacturing Technologies

This contrasts with most other Engineering and Manufacturing Technologies employers interviewed, who preferred their apprentices to start at Level 3, as they felt Level 2 was too low level.

Most of Level 2 apprentices interviewed felt this level was appropriate as it was helping them build confidence and essential job-specific skills (such as basic office skills, including speaking on the telephone and writing professional emails). Some also mentioned that they felt doing the Level 2 provided them with substantial support, which they perceived would not have been the case had they started at Level 3 (where they felt they would have been expected to take on more responsibility from the beginning). Some also mentioned that their English and maths attainment was not high enough to start at Level 3.

Most of the Level 3 apprentices interviewed had previously completed a Level 2 apprenticeship, and believed that starting at Level 2 had been appropriate for them. One apprentice on a Level 3 standard in the Business, Administration and Law SSA, who previously completed a Level 2 framework, stated that the skills required for Level 3 were much more advanced than the Level 2, with more technical financial skills required, and a more challenging EPA to prepare for. She also felt she would have struggled as the Level 3 apprenticeship is attached to a more Team Leader style role, where she is expected to make decisions – something she would not have felt capable of prior to completing the Level 2 apprenticeship. Another Level 3 apprentice in Hairdressing, in the Retail and Commercial Enterprise SSA, said she found the Level 3 too challenging despite having already completed the Level 2, and said if possible she would have preferred to repeat the Level 2 apprenticeship in order to build up her confidence. She also felt her Level 3 apprenticeship should last longer in order to allow enough time to achieve the required level of English and maths alongside the occupational demands.

Some learners also said that they were more concerned about the job itself than what level of apprenticeship it led to. This was supported by a provider who stated:

We act as a recruitment agency to the employer but we also act in the best interests of the learner in terms of we offer the full scope of what we've got, but if they're dead set on one type of vacancy, they're more bothered about the job itself.

Provider

Overall, there was no indication from these interviews that providers would intentionally place learners onto Level 2 standards when they could start at Level 3; all of the providers and most employers interviewed based their approach on an assessment of learners' capabilities and the job role specification (though, as discussed earlier, some employers reported placing all learners onto Level 2 apprenticeships as standard).

However, in cases where learner confidence is the issue, or where the job role on offer is deemed not to be at the required occupational level, it could be that the provision of greater support by both the provider and the employer, and a more long-term view of the process by employers, in terms of how they structure their job roles, might allow more apprentices to start at Level 3.

5.2 Can lessons be learned from instances where employers are considering or have started to increase Level 3 starts?

Among the 13 employers interviewed where Level 3 apprenticeship numbers had increased, the reasons cited for this can be grouped into 2 broad categories:

- situations where the number of apprentices at all levels offered (including Level 3) had increased, due to either business growth, or desire to use up the apprenticeship levy
- situations where numbers of Level 3 apprentices had specifically been increased – including
 - due to specific skill and job role needs at Level 3
 - it being a means to long-term succession planning
 - it being a continuation path for their recent Level 2 completers
 - in some cases, there not being a Level 2 standard available

Within the former category, where apprentice numbers overall had increased, sometimes the increase at Level 3 was regarded as a consequence of an increase at Level 2, as this led to a 'natural progression,' with a proportion of those staff moving on to do Level 3.

The increase in Level 3 is really a knock-on impact of the increase at Level 2.

Employer, Levy payer, Business Administration and Law

In situations such as these where Level 2 apprenticeships were being used to provide work experience and to develop basic skills to prepare people for particular occupations, other models may need to be considered to bridge the gap to Level 3. This might include traineeships for younger people and extended Level 3 apprenticeships.

Although some employers reporting increased Level 3 starts also reported increased numbers at Level 2, for others the increase in Level 3 was accompanied by reduced numbers of Level 2 starts. This was typically because:

- the employer decided to invest their levy contribution in Level 3 rather than in Level 2; or,

- a Level 2 Framework has been replaced by a Level 3 apprenticeship, and they have chosen to increase the entry requirements among new recruits.

In one instance in Engineering and Manufacturing Technologies, the increase in Level 3 was related to business growth, and all entry-level new recruits did Level 3 rather than Level 2 because that was more appropriate to the business' requirements (and therefore the employer did not ever offer any Level 2 apprenticeships).

Similarly, in Health, Public Services and Care, one levy-paying employer had a large increase (from 60 to over 200) in their Level 3 apprenticeship numbers since the introduction of the Apprenticeship Levy, but in this case a decision was made to focus the funds on Level 3 specifically. This is because they offered the Level 2 NVQ qualification as an alternative to a Level 2 apprenticeship for healthcare workers, which meant more levy money was left available, and because after looking at their staffing profile they realised Level 3 is where they had a shortage of staff. Recruitment was mostly via advertising the Level 3 apprenticeships among current staff, and promoted internally as a step towards further progression.

More recently they also sought to attract new recruits at Level 3, but they were targeting college leavers aged 18+ as they considered these would already have the requisite level of English and maths. This illustrates the possibility of using a standalone NVQ (or other qualification) as a route into Level 3 apprenticeships, which could be particularly useful in areas where a Level 2 standard has not replaced a previous Level 2 framework; however, another Health, Public Services and Care employer mentioned they would be interested in sending their staff on standalone qualifications, but could not afford to do so as they could not use their Levy funds for it.

Some employers reported increasing Level 3 numbers to meet specific challenges, such as an Engineering and Manufacturing Technologies employer responding to skills shortages in certain skilled occupations that correspond to a Level 3 apprenticeship, specifically machine setters and injection moulding. This required building a case within the business for investing in apprentices so as to achieve longer term organisational goals, suggesting a direct connection being made by the employer between Level 3 and the development of their business. This message could be transmitted to other businesses looking to solve similar workforce issues, where there might not be an internal champion for the apprenticeship route. This also indicates the importance of ensuring that the benefits of apprenticeships, in both the short- and long-term, are clearly communicated to employers.

[Our increase in Level 3] is a response to skills shortages in the local area – we struggle to take on skilled staff, so instead we're future planning by taking on apprentices and training them up. Now I'm getting more departments on board with doing this, hence the increase... Some managers have said they see the

long-term benefits but can't handle them in the short term; an apprentice is hard work in the first year, then they gradually become more skilled and self-sufficient. They only become a productive member of staff by their fourth year.

Employer, Levy payer, Engineering and Manufacturing Technologies

It should also be noted that this employer felt able to increase their numbers of Level 3 apprentices due to having enough recruits with good GCSE passes to choose from, who they believed, due to past experience, would be better able to cope with the demands of the Level 3 course:

We look for A-Cs in English and maths - then we know they'll be OK in college. In the past we've tried to relax up on that, but now we know that if they don't [get] the grades in English and maths then they'll struggle at college. You tend to take on the ones with better grades - the people we take on are probably As and Bs.

Employer, Levy payer, Engineering and Manufacturing Technologies

Some employers in the Retail and Commercial Enterprise sector pointed out that the introduction of the Level 3 standard within retail was enabling them to address succession planning within the business and upskill their staff.

Succession planning has always been an issue, we struggle to retain talent and we are in the food industry which is one of the most competitive industries for customers as well as talent... we are not in a sexy industry so succession planning and retaining talent has always been an issue.

Employer, Levy payer, Retail and Commercial Enterprise

As part of this, one employer also made changes to their recruitment procedures and increased the level of support given to learners in order to maximise their opportunities to succeed at Level 3:

We've upscaled it massively and we are much more strategic on who we bring in and making sure that they fit the role from the outset and then support them very heavily when they are with us from a pastoral perspective.

Employer, Levy payer, Retail and Commercial Enterprise

This emphasis on pastoral support ties in with the feeling expressed by a number of Level 2 learners that the amount of support they received as part of their apprenticeship from their employer and training provider was a key reason why they were glad to have

started at Level 2 rather than Level 3, as they felt starting at Level 3 would not usually involve a similar level of pastoral care.

Another employer in Health, Public Services and Care responded to an increase in applicants for Level 3 apprenticeships struggling with English and maths levels by trying to mitigate these difficulties through reducing the amount of writing and written based evidence that they would have to do, and finding alternative ways for them to evidence their skills.

As well as increasing their recruitment criteria for employing new starters, some employers had actively worked with the education and training providers in their area to make sure they have a good recruitment pipeline for new recruits. For example, a levy paying social care employer reported that the increase in Level 3 recruits was a result of an increased number of recruits who already had relevant qualifications and experience, due to a work experience partnership with the local college, where BTEC students would undertake work experience placements at the organisation. This made Level 3 a suitable entry point, as learners would begin with both a relevant qualification and actual clinical experience (as opposed to a qualification alone, which the employer did not feel adequately prepared learners to start at Level 3).

A lot of time previously when they came with BTECs we almost always had to do a Level 2 with them because their clinical skills and knowledge of the particular health sector over the social sector was quite poor, because we've now got a better programme of bringing people who want to do health in to do work experience in health... that has enabled us to put them straight on to a Level 3 rather than doing a Level 2.

Employer, Levy payer, Health Public Services and Care

At the same time, they experienced a drop-in applicants for Level 2, which in their view was due to the EPA and maths and English requirements deterring those with lower academic qualifications, which made it not worth running the course.

The reason people often do apprenticeships is because they are not great with academia, and what has actually happened with endpoint assessments, with things like study skills units, with the maths and English what they have actually done is turn it academic, even if it is a low level of academia. We have got an awful lot of people out there that would make really good carers but that they just cannot manage that whole process.

Employer, Levy payer, Health Public Services and Care

Both of these factors (the increase in suitable applicants for Level 3 apprenticeships due to combining a college qualification with work experience, and the decline in applicants for Level 2) combined to cause the employer to decide to scale down their Level 2 provision at the same time as increasing their Level 3 starts.

A company offering automotive apprenticeships noted that their increase in Level 3 was due in part to their business growing, at a time when there was no Level 2 standard to replace the old framework they used. Level 3 incorporates elements of the Level 2 framework making it possible to put people on Level 3 directly and build up their skills and competencies over time. However, they have decided to increase their recruitment thresholds to look for people who are more likely to achieve the Level 3 qualification (for example, looking for people who already have 'good' GCSE passes at English and maths).

For the bus and coach qualification there isn't a Level 2 qualification anymore, but the new standard now just goes straight on to the Level 3 programme. In the past the fact that they work through Level 1, 2 and 3 has been useful because sometimes you identify individuals who are not going to make Level 3... but we could get them at a level to where they would still be of some use to us. But now you've got to identify people who are going to achieve Level 3.

Employer, Levy payer, Engineering and Manufacturing Technologies

In summary, a number of strategies are being utilised by both employers and providers to enable more apprentices to undertake Level 3 apprenticeships, many of which could potentially be rolled out to other employers:

- using apprenticeships to target specific skills gaps and to tackle succession planning within the business: this approach requires employers to have the vision to see the long-term benefits of apprenticeships – communication (and case studies) on these benefits could encourage more employers to follow this route
- changes to recruitment and onboarding procedures: changes such as reducing the amount of written evidence required (to aid applicants who might otherwise struggle with English levels), and increasing the amount of both academic and pastoral support offered to learners – a supportive environment and lower levels of written coursework were 2 things learners felt were benefits of a Level 2 apprenticeship compared with Level 3, so replicating these conditions within a Level 3 standard could help similar learners to start at Level 3
- alternative routes into Level 3: offering employees a standalone qualification such as an NVQ at Level 2, before then progressing to a Level 3 apprenticeship, could be a useful option particularly where a Level 2 standard has not replaced a

previous Level 2 framework (though funding implications need to be considered, as the Apprenticeship Levy could not be used for this purpose)

- work experience collaborations
 - working in partnership with a college to take on work experience candidates studying a relevant vocational qualification at the college
 - allowing the learners to begin a Level 3 apprenticeship based on their combined qualification
 - practical workplace experience
- progression from Level 2 – some employers reported successful progression from Level 2 onto Level 3 – this model of encouraging progression to Level 3 could be promoted particularly in sectors where Level 2 is sometimes considered ‘enough’ (for example, the care sector)

5.3 How can more apprentices be supported to reach at least Level 3?

The previous section outlined some strategies already in use by employers as part of their increase in Level 3 apprenticeship numbers. Employers, stakeholders and providers were also asked for suggestions on how more apprentices could be supported to reach at least Level 3.

Some providers felt that undertaking a Level 2 apprenticeship would be the best way to prepare learners to reach Level 3, as it would not be possible for learners who would currently be placed on a Level 2 apprenticeship to be given sufficient support within the timeframe of a Level 3 apprenticeship to allow them to start at Level 3 instead⁴⁹, particularly if they are school leavers without any or much workplace or sector experience. While extending the timeframe of the apprenticeship would theoretically be possible, providers felt the apprenticeship duration would have to be constrained by the maximum amount of funding available for the standard (and to cover English and maths support), if employers were not able or willing to top this up with additional funding. As some Level 2 apprenticeships include theoretical training, work experience and English and maths tuition where needed, this was seen as providing an ideal grounding from which learners could then progress. In particular, the fact that they would be employed in

⁴⁹ While there is no maximum timeframe in place, there is a maximum funding amount - so providers felt they could not afford to extend the length of the apprenticeship beyond a certain point as the funding did not cover it (unless the employer paid extra).

a real job (rather than just on a temporary placement) was felt to be a valuable aspect of the experience.

What they need is a starting platform, they need to gain all the underpinning basic knowledge and skills required for the job role that they've been asked to do, which is very basic when they come into the industry. So a Level 2 apprenticeship is absolutely right for them, it gives them confidence, in some cases it gets them back to learning... a Level 2 apprenticeship is fitting for job roles that people new to the industry are doing.

Independent training provider

Similarly, another provider felt that the Level 3 would be a big stretch academically for their current Level 2 learners, who are mostly school leavers; but more importantly they would lack the work experience required to take on a Level 3. This might be less of an issue for practical trades, but in business-related areas it would be problematic, as it would require more responsibility than an employer would usually give to a 16-to-18 year old.

The Business Admin Level 2 [framework]... allows them to develop the skills that they need to learn to work before they go on to specialise in something that is going to take a lot more of their own input, because they've got to learn to work first... What tends to be forgotten is the job, the working, the being there, the teamwork, interacting with others, understanding where you fit in and how you effect how the company runs - that's invaluable and you're not going to learn that through college.

Independent training provider

Overall, preparing learners to reach Level 3 was widely seen among both employers and providers as needing to incorporate training and support on an academic level, alongside authentic work experience.

- A possible solution to this explored by one FE college was to extend the duration of their Level 3 apprenticeship in Business Administration to 2 years, to incorporate more of a groundwork in 'Level 2' learning at the start; however, they did recognise that the resulting longer duration of the course was less attractive to employers and learners alike (and several learners interviewed mentioned that they would not have liked to sign up for a longer apprenticeship to begin with, even if they might consider choosing to progress to the next level after completing). Another provider flagged that it can be more difficult to get the

same commitment from learners on Level 3 apprenticeships due to the courses often being of longer duration than Level 2⁵⁰.

English and maths were consistently raised as particular areas where extra support would be needed in order for more apprentices to start straight at Level 3, by providers and employers alike. Some stakeholders also mentioned English and maths as the main barrier preventing more learners from being able to achieve Level 3 (with one stakeholder mentioning it is a particular barrier for learners with learning difficulties or disabilities, who may not have an EHCP that would allow them to be exempted from the requirement).

To address this, one employer felt that they could better support apprentices to reach Level 3 if they brought in tutors for English and maths in-house within the company, in addition to the English and maths training delivered by the training provider, although this would be difficult to fund because the employer would need to pay for it directly. Another employer suggested that unutilised Levy money should be made available to support schemes for supporting apprentices, such as developing training centres for functional skills. Although these employers did not refer to students with learning difficulties or disabilities, this approach could help address the additional needs of specific groups of learners, for example those for whom SEND such as dyslexia or dyscalculia are barriers to passing functional skills English and maths requirements. This in turn, might increase employer confidence in recruiting learners they otherwise might not recruit due to concerns about an individual's ability to pass functional skills.

One suggestion made by a provider representative body to support learners further in this was to make it easier for learners with learning difficulties or disabilities to gain an exemption from the English and maths requirements. Learners with learning difficulties or disabilities are entitled to have a lower minimum standard for English and maths as part of their apprenticeship, following the recommendation of the Paul Maynard taskforce⁵¹. However, this exemption applies to learners with a learning difficulty that is covered by an EHCP. Mencap have recently recommended testing an extension of this flexibility regarding English and maths requirements, to include people with a learning difficulty and/or disability but not an EHCP⁵². The government is considering this recommendation.

⁵⁰ In the [Apprenticeship Evaluation 2018-19 Learner Survey](#), Level 2 apprentices reported an average duration of 15 months, compared with 21 months for Level 3 apprentices (see, p.60).

⁵¹ [Paul Maynard taskforce recommendations](#).

⁵² Mencap, '[Access all areas: Opening up apprenticeships and the world of work to people with a learning disability](#)'

Some providers felt that traineeships could be particularly useful for candidates who need to improve their English and maths skills, although this was raised more in relation to getting them ready for Level 2 rather than being able to go straight into Level 3.

[The traineeship is] for learners who have such low maths and English that they would fail the Level 2 apprenticeship altogether, they're not quite ready for the apprenticeship. Departments don't want them as they will fail or drop out.

Provider, FE College

Several providers felt that their current traineeships offer could not replace Level 2 frameworks in terms of the duration and depth of work experience and the level of training involved, and that they would not be enough to allow learners to start at Level 3. One provider said they do not currently offer any pre-apprenticeship training, but are looking at implementing ad-hoc pre-apprenticeship training courses to bridge the gap in skills in areas where there is not a Level 2 standard available, and where candidates are not able to take on a Level 3.

Several learners mentioned that they could not do Level 3 as they did not have the necessary English / maths qualifications. While this should not technically be a barrier (as they could do the relevant qualifications as part of their apprenticeship), this does illustrate a possible tendency among providers and employers to only offer Level 3 apprenticeships to candidates who have already achieved the required levels in English and maths, thus creating a barrier to entry for those with lower qualification levels.

Learners with higher qualification levels (i.e. at least GCSEs in key subject areas at grades C and above) were perceived by some employers to be more capable of attaining a Level 3 apprenticeship; therefore, they felt that more support should be offered in schools to encourage higher-achieving students to apply for apprenticeships.

There is work that needs to be done on a large scale and I do put the onus on the government for this, the loss of good quality careers advice at schools has really damaged the information that is being imparted to students.

Employer, Levy-payer, Engineering and Manufacturing

A similar point was raised by some employers, and an employer representative body, who felt that learners currently applying for apprenticeships are of insufficient quality - an issue impacting those able to start at Level 2 as well as Level 3.

The employers are finding the quality of learners coming through the apprenticeships is not what they're looking for. They haven't got the maths, they haven't got the English, they haven't got communication skills.

Interviewees across all audiences (including learners themselves) considered this issue is being exacerbated by schools preferring to push more academically able students onto academic routes, at the expense of apprenticeships; therefore, raising awareness of apprenticeships in schools could lead to higher quality candidates coming forward for vacancies. However, while this could increase the flow of well qualified recruits for Level 3, this does mean that those with lower qualifications, or no qualifications, could potentially get left behind if they lack the entry pre-requisites both for the available apprenticeships and academic routes.

The Richard Review (2012) argued that a possible decrease in volumes at Level 2 would be offset by take up at Level 3 and above. The key suggestions put forward by the interviewed providers, employers and stakeholders about how more apprentices could be supported to reach at least Level 3 (without first doing an apprenticeship at Level 2) were:

- extending the length of Level 3 standards allowing learners extra time to build up basic skills and confidence, which might previously have been covered within a Level 2 apprenticeship – consideration would need to be given to making the longer duration attractive to apprentices
- providing additional support for English and maths, potentially prior to the start of the apprenticeship as part of pre-apprenticeship training – this would require both resource (in terms of availability of suitable tutors) and funding
- simplifying the process for exempting SEND learners from the English and maths requirements
- providing learners with lower qualification levels with the opportunity to undertake authentic work experience as well as to gain relevant qualifications (including English and maths) prior to starting their apprenticeship – consideration would need to be given to how this could be funded
- working with schools to ensure that apprenticeships are promoted to learners on an equal footing with academic pathways, helping to ensure a throughflow of candidates with higher starting qualification levels (however, as noted above, this would not help in widening access to Level 3)

5.4 Chapter summary

All the audiences felt strongly that there was a continued need to provide an entry route into work for 16-18 year old school leavers, which some Level 2 apprenticeships were thought to provide. The shared view across all audiences was that Level 2 provides a

more basic grounding in a job role, an introduction to professional skills and behaviours, and has a lower level of English and maths requirements. There were some examples of where this need for Level 2 training has been addressed by other means, but these approaches tended to be taken on an adhoc, provider- and programme-specific basis. Across all audiences, English and maths were raised as particular areas where extra support would be needed for more apprentices to start at Level 3.

Some providers felt that traineeships could be particularly useful for candidates who need to work on their English and maths skills, although this was raised more in relation to getting them ready for Level 2 rather than being able to go straight into Level 3. Another provider said they do not currently offer any pre-apprenticeship training, but are looking at implementing something to bridge the gap in skills in areas where there is not a Level 2 standard available, and where candidates are not able to take on a Level 3 immediately.

Some interviewees across all audiences (including apprentices themselves) considered that raising awareness of apprenticeships in schools could lead to more candidates with higher levels of academic achievement starting a Level 3 apprenticeship. There were examples of some employers who had actively worked with the education and training providers in their area to make sure they have a good recruitment pipeline for new recruits who could come straight in at Level 3, for example by offering structured work experience placements to BTEC students on relevant courses.

6. Conclusions and implications

Decisions around the level of apprenticeship starts are made primarily by employers based on their needs, with training providers largely taking on the role of assessing the learners to ensure they are placed on an appropriate level. This suggests that learner demand has been a smaller factor in the decrease in Level 2 apprenticeships, and instead it has been driven by a decrease in the number of Level 2 opportunities offered by employers and providers.

Employers, providers and stakeholders identified a number of reasons for the decline in Level 2 apprenticeships:

- the 20% OTJ training requirement was seen as particularly off-putting for employers of Level 2 apprentices
 - the time for OTJ training was not valued by an employer because they felt it would not be balanced by an equivalent return to the business by means of increased productivity and skills of the apprentices
 - many Level 2 apprentices in Retail and Commercial Enterprise and Health, Public Services and Care had client-facing roles (this was less often the case for apprentices at higher levels) and would need to have their role covered at times they were training, incurring cost for these employers
 - among some employers, there were misconceptions about what activities constitute OTJ training and around the model of delivery (with some reporting the drawbacks of day-release) – this suggests there may be ways of carrying out OTJ training in a less disruptive way for employers, using a more integrated model – though for employers where 20% OTJ training represents a substantial increase, there would still be a significant increase in employer costs, regardless of the model of delivery
- concern around apprentices' ability to meet the requirements of the new, more demanding standards at Level 2 was expressed by many employers and some providers, especially in regard to English and maths requirements, and EPA – this was a particular issue raised in the Health, Public Services and Care SSA
- the Apprenticeship Levy has seen many employers decide to use their levy funds to train existing staff on higher level apprenticeships rather than taking on new recruits at Level 2
 - this response was seen as incurring less costs (for example, recruitment costs and the salaries for new staff)
 - it also involved less 'disruption' for levy-paying employers not previously used to taking on large numbers of apprentices, since, given higher level

apprenticeships receive higher funding for each apprentice, fewer higher apprentices need to be trained to use their full levy funds

- from the interviews, it is not clear why employers were not doing this previously, however some highlighted that higher level apprenticeships were not funded before
- some stakeholders and employers felt that, for non-levy employers, co-investment represented a barrier as even paying 5% of the cost of the apprenticeship was a significant amount for a smaller business
- some providers, who had previously promoted Level 2 apprenticeships to local employers, were now refraining from doing so out of caution in case they were not allocated any public funding to deliver these apprenticeships⁵³ - these providers were shifting their focus to higher levels of apprenticeship or winding down or withdrawing their Level 2 provision
- the move from frameworks to standards played a role, with many employers and providers frustrated at the lack of Level 2 standards in some subject areas, such as Business Administration, and some employers finding the available standard did not fully match the requirements of their business, such as specific employers in Engineering and Manufacturing Technologies or Health, Public Services and Care
- uncertainty among employers across a number of the apprenticeship reforms (including but not limited to how levy funds could be used and the best use of this money, the move from frameworks to standards, delays in some standards being available, and EPA) meaning decisions about apprenticeship training being delayed until there was more certainty – this was not something that was specific to Level 2, but particularly impacted apprenticeships at this level because they were the most numerous – as such, this issue does not explain the disproportionately larger fall in the decrease in Level 2 apprenticeships

When asked, most stakeholders, employers and providers who contributed to this research largely believed that the decline in Level 2 apprenticeship numbers was negative, because Level 2 is perceived to provide a suitable entry-level route into employment for people with lower level qualifications and skills, and Level 2 apprenticeships match the entry level job roles for which employers have a need. This reveals a tension between the purpose for which many of these apprenticeships are *currently* being used by employers and providers (to recruit and train new job entrants of different age groups, including school leavers, often with low skills and little or no work experience), and the intended purpose of apprenticeships following the

⁵³ Through the non-levy funding stream, which has a cap on the amount that providers can bid for/ receive.

recommendations of the Richard Review (2012), which recommended that apprenticeships should be redefined to target job roles requiring sustained and substantial training.

Looking at whether lessons can be learned from exceptions to the trend in the decline in Level 2 apprenticeships, among the employers where Level 2 starts had increased, the reasons related mainly to business growth and expansion. Therefore, increases tended to relate to new recruitment, and/or the need to replace staff due to either high turnover or an ageing workforce, rather than any strategic decision that Level 2 apprenticeships, as opposed to those at other levels, were now the level appropriate for their organisation.

Employers who have increased their Level 3 apprenticeships are of interest as, in line with the aim of providing high quality apprenticeships requiring sustained and substantial training, in areas where Level 2 apprenticeships are no longer available, ideally these would be replaced with Level 3 standards. Among the employers who had increased their Level 3 starts, a number of strategies were being utilised, many of which could potentially be rolled out to other employers if demonstrated to be effective:

- using apprenticeships to target specific skills gaps and to tackle succession planning within the business – this approach requires employers to have the vision to see the long-term benefits of apprenticeships – communication (and case studies) on these benefits could encourage more employers to follow this route
- changes to recruitment and onboarding procedures: changes such as reducing the amount of written evidence required (to aid applicants who might otherwise struggle with English levels), and increasing the amount of both academic and pastoral support offered to learners – a supportive environment and lower levels of written coursework were 2 things learners felt were benefits of a Level 2 apprenticeship compared with Level 3, so replicating these conditions within a Level 3 standard could help similar learners to start at Level 3
- alternative routes into Level 3: offering employees a standalone qualification such as an NVQ at Level 2, before then progressing to a Level 3 apprenticeship, could be a useful option particularly where a Level 2 standard has not replaced a previous Level 2 framework (though funding implications need to be considered, as the Apprenticeship Levy could not be used for this purpose)
- work experience collaborations
 - working in partnership with a college to take on work experience candidates studying a relevant vocational qualification at the college
 - allowing the learners to begin a Level 3 apprenticeship based on their combined qualification
 - practical workplace experience

- progression from Level 2 – some employers reported successful progression from Level 2 onto Level 3 – this model of encouraging progression to Level 3 could be promoted particularly in sectors where Level 2 is sometimes considered ‘enough’ (for example, the care sector)

Further suggestions to help more apprentices start at or attain Level 3 were made by employers, providers and stakeholders; these can broadly be divided into 2 categories: increased support and opportunities for learners, and structural changes.

The increased support and opportunities for learners included:

- working with schools to ensure that apprenticeships are promoted to learners on an equal footing with academic pathways, helping to ensure a throughflow of candidates with higher starting qualification levels (however, this would not help in widening access to Level 3)
- providing learners with lower qualification levels with the opportunity to undertake authentic work experience as well as to gain relevant qualifications (including English and maths) prior to starting their apprenticeship – consideration would need to be given to how this could be funded
- providing additional support for English and maths, potentially prior to the start of the apprenticeship as part of pre-apprenticeship training – this would require both resource (in terms of availability of suitable tutors) and funding

Structural changes suggested to allow more learners to start at and attain Level 3 included:

- simplifying the process for exempting English and maths requirements for learners with special educational needs
- extending the length of Level 3 standards allowing learners extra time to build up basic skills and confidence, which might previously have been covered within a Level 2 apprenticeship – consideration would need to be given to making the longer duration attractive to apprentices and employers

Appendix A: Level 2 starts across years, and average training hours per week

Table A: Apprenticeship starts in 2016/17 and 2017/18 and hours training by Sector Subject Area

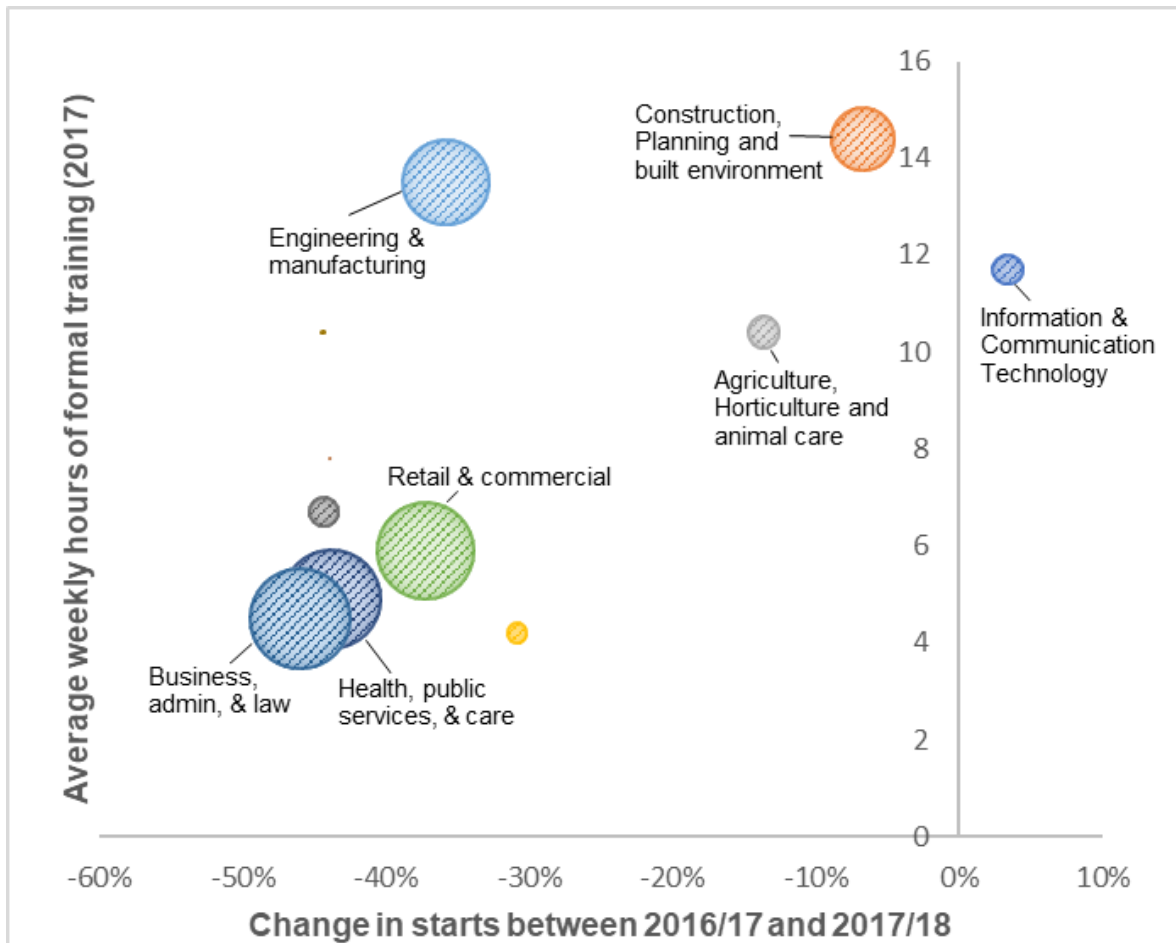
Sector Subject Area (SSA)	Starts in 16/17*	Starts in 17/18*	% Change between 16/17 and 17/18	2017 Average formal training hours per week** (Level 2 and 3 apprentices)
Information and Communication Technology	3,630	3,754	3%	11.7
Construction, Planning and the Built Environment	15,836	14,772	-7%	14.4
Agriculture, Horticulture and Animal Care	4,966	4,289	-14%	10.4
Education and Training	2,706	1,871	-31%	4.2
Engineering and Manufacturing Technologies	42,488	27,277	-36%	13.5
Retail and Commercial Enterprise	54,418	34,148	-37%	5.9
Health, Public Services and Care	61,701	34,688	-44%	4.9
Science and Mathematics	41	23	-44%	7.8
Leisure, Travel and Tourism	6,366	3,544	-44%	6.7
Arts, Media and Publishing	178	99	-44%	10.4
Business, Administration and Law	68,322	36,927	-46%	4.5
Grand Total	260,652	161,392	-38%	60.1

*Source: <https://www.gov.uk/government/statistics/apprenticeship-and-levy-statistics-october-2019>

**Source: [Apprenticeships Evaluation 2017: learners survey](#) (see Table 4.4, p.64)⁵⁴.

⁵⁴ Average training hours per week for Level 2 and 3 apprenticeships = Table 4.4 rows 'Training at external provider' + Formal training in workplace'.

Figure A: Bubble chart showing the change in number of apprenticeship starts and hours of formal training for level 2/3 apprentices, by Sector Subject Area. Size of bubbles represents the number of starts in 2016/17.



Appendix B: The research questions

1. Within the 4 SSAs where the decrease in Level 2 apprenticeship starts is most pronounced, what are employer, provider and employer and FE sector bodies' perceptions of:

- a. Why employers choose Level 2 and Level 3 apprenticeships (in comparison to each other, other programmes and higher levels).
- b. The characteristics of a Level 2 and a Level 3 start, such as differences in the qualifications, skills and prior experience(s) of the learner.
 - i. Whether employers and training providers may choose to place learners on Level 2 apprenticeships when they could start directly at Level 3; the reasons for this, and how more apprentices can be supported to reach at least Level 3.
- c. The factors affecting changes in the numbers of Level 2 starts.
- d. The effects the change in numbers at Level 2 may have on pre-apprenticeship programmes such as traineeships and on Level 3 apprenticeship starts, specifically:
 - i. To what extent is a decrease in Level 2 starts being/likely to be offset by growth in other programmes (e.g. traineeships) or increases in provision at Level 3. Why?
 - ii. Does the change in Level 2 numbers affect 1) how employers make recruitment decisions around Level 2 and 3 starts, and how providers make decisions around pre-apprenticeship programmes like traineeships (offer), and 2) access to apprenticeships for individuals who are not ready or able to start at Level 3? If so, how and why?
 - iii. Can lessons be learned from instances where employers are considering or have started to increase Level 3 starts?

2. Within the 4 SSAs where the drop in Level 2 apprenticeship starts is most pronounced, to what extent are the changes at Level 2 being driven by and/or affecting learner decisions / choices? How, and Why?

3. In a context of an overall decrease in starts at Level 2, are any employers increasing Level 2 apprenticeship starts?

a. Are there any common factors driving this and what are the effects i.e. impact on traineeships and Level 3 starts?

b. Can lessons be learned from instances where employers within the 4 SSAs of interest are in fact increasing Level 2 starts?

4. What are the implications of the findings for quality apprenticeships, and what are the potential policy responses?

Appendix C: References

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