



Investigating the impact of the Apprenticeship Levy on training outcomes

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In a nutshell



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How does the Apprenticeship Levy work in England?



- Set at 0.5% of annual pay bill in excess of £3million.
- Levy contributions started in April 2017



- Levy employers can spend the accumulated funds on Apprenticeship training
- 10% government top-up
- Unused funds expire after 24 months
- 25% of Levy funds can be transferred to other employers

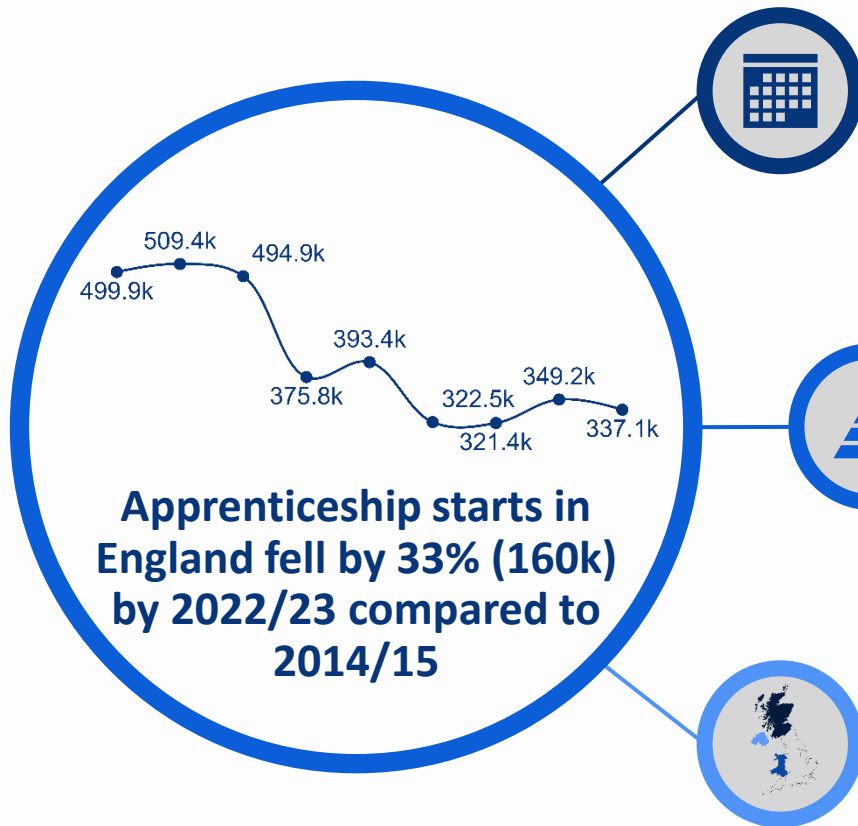


- Co-funding rate for non-Levy apprenticeships set at 95% of training costs (from 1 April 2019)
 - Cap on number of apprenticeship starts for non-Levy employers introduced in 2020 and removed in 2023

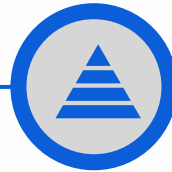


- Levy is paid on total UK pay bill
- Apprenticeships and training are a devolved policy area
- Other home nations: no direct link between employer Levy contributions and funds available for their own Apprenticeship training

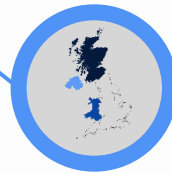
Key findings/1



The largest annual drop (-25% and 120k) occurred in 2017/18, immediately after the introduction of the Levy in April 2017. Another 70k starts were lost due to the Covid-19 pandemic (with little recovery after that)

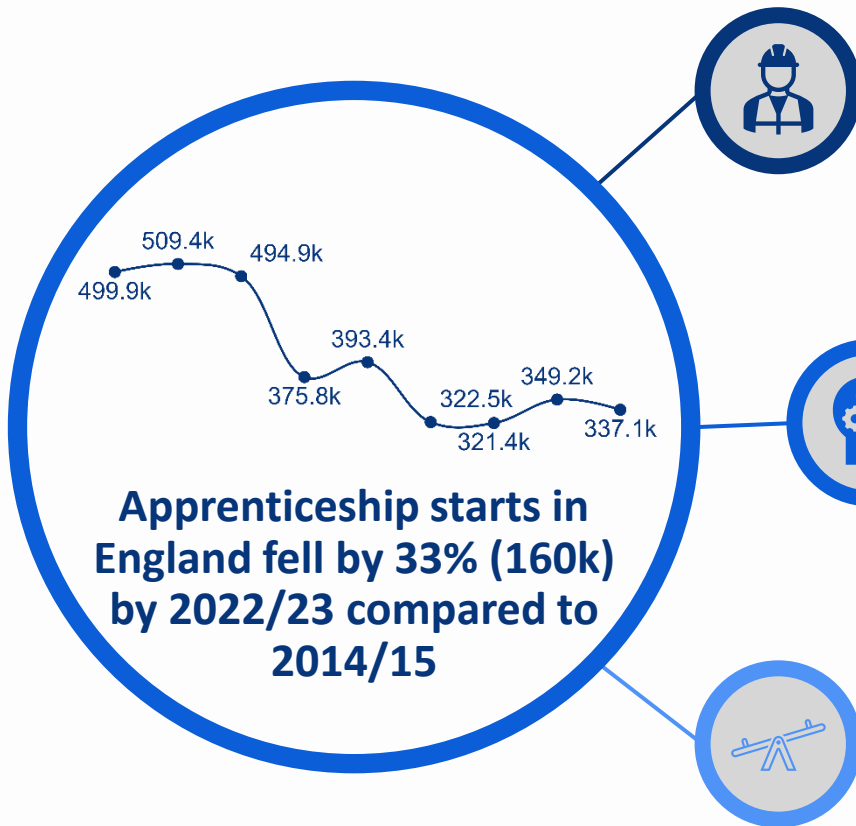


There was a large decline in Intermediate (L2) starts and a rapid rise in Higher Apprenticeship starts (L4+), especially for degree level apprenticeships (L6/L7)



Apprenticeship starts in the other UK home nations (with no direct link between employer Levy payments and Apprenticeship funding) did not experience a similar declining trend

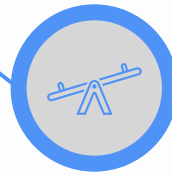
Key findings/2



Apprenticeship starts declined across all age groups but the loss in starts was greater the for younger age groups ('under 19' and '19-24'), with a combined fewer 100k starts over the period.

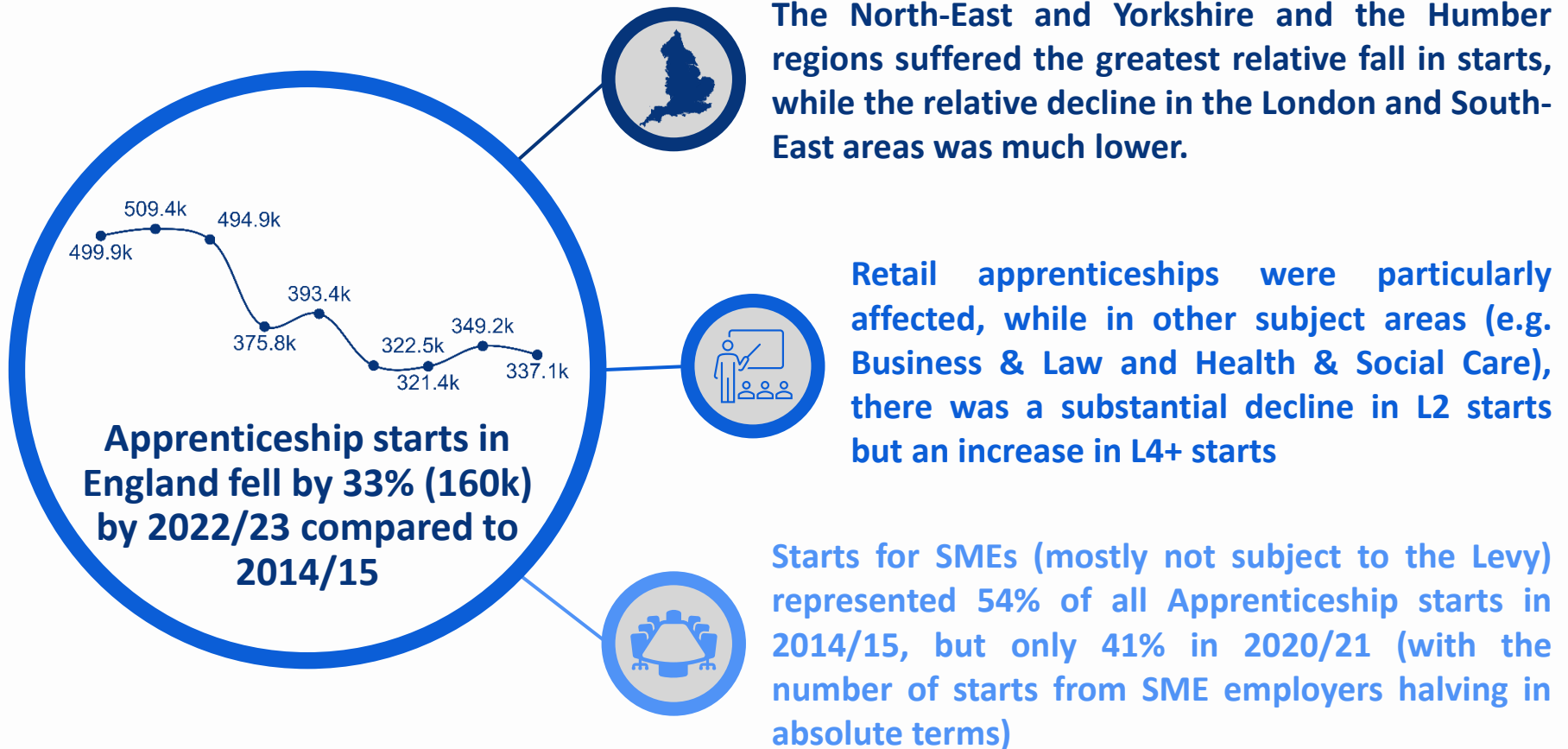


The gender split was relatively stable in the period, while the proportion of starters from BAME backgrounds and with learning disabilities increased over time



There was a significant decline in the number of apprentices from deprived areas, with the proportion of starters from most deprived areas falling from 26% to 20%, while the proportion from least deprived areas rose from 14% to 18%

Key findings/3



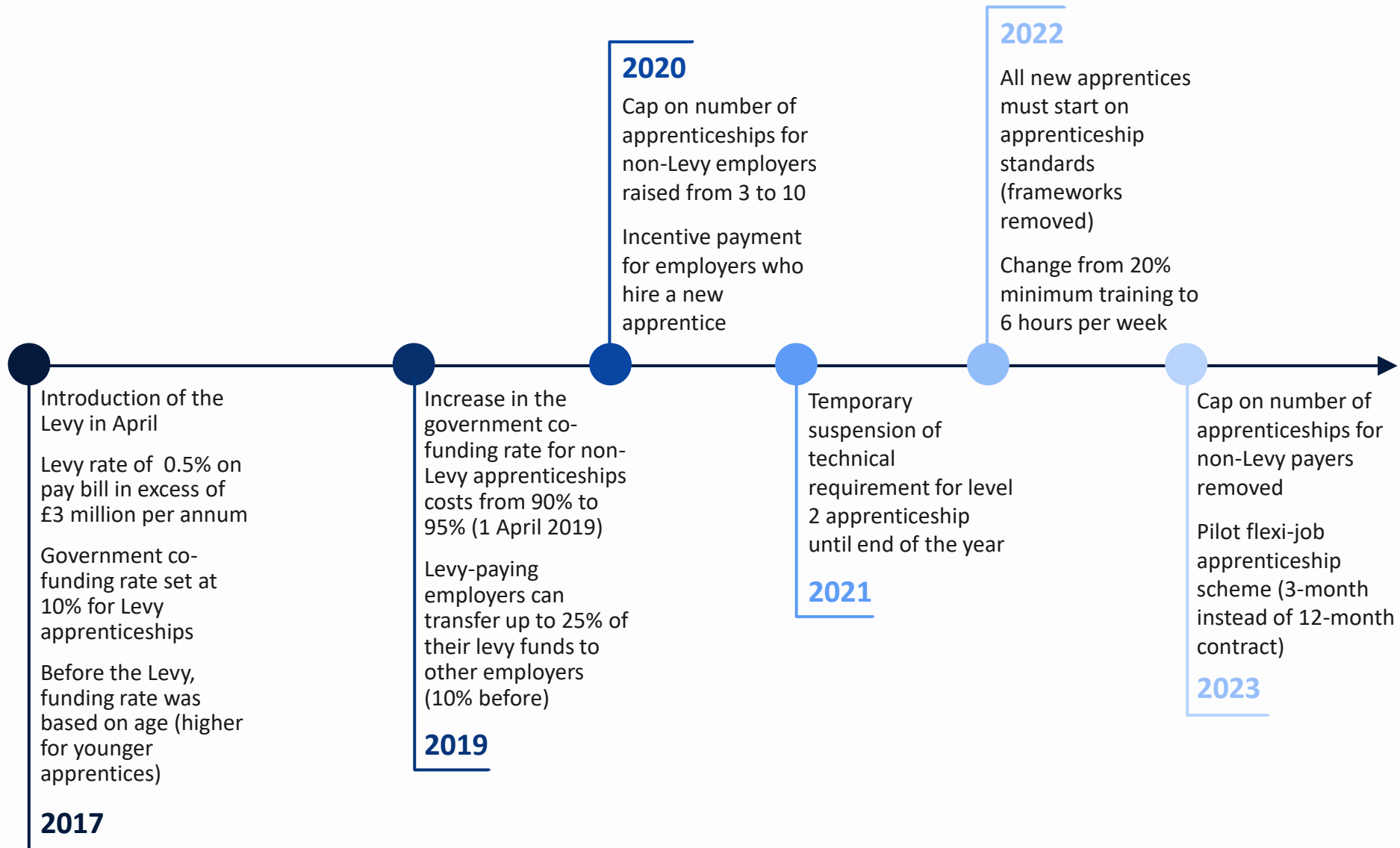
Brief review of existing evidence



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Timeline of policy interventions



What is the existing evidence on the effect of the Levy?

Decline in apprenticeship starts and shift in apprenticeship levels

- Before the introduction of the Levy, **most Levy employers expected to increase the number of apprentices**¹
- **Decline of apprenticeship starts at intermediate and advanced level** since the introduction of the Levy, potentially driven by multiple factors including the change in funding regime for non-Levy employers²
- This observed shift in levels is **stronger among Levy employers**³
- However, there is **no evidence** that the Levy has an impact on the **quality of apprenticeships**⁴



Allocation of levy budget and underspend

- **The change in the typical level of apprenticeship increased apprenticeship costs:** the average cost doubled in March 2019 compared to the pre-Levy period⁵
- **Despite this, the Levy is raising more than it is allocating:** around 20% of Levy funds are returned unspent to Treasury in 2022⁶.
- Since 2017, the total **underspend** of Levy funds amounted to close to **£2.2 billion**, corresponding to **15%** of all funds raised by the Levy⁷ on average. The number of registered employer accounts on the apprenticeship service who utilise all Levy funds available, has **been lower** than the number of those who do not fully utilise the funds⁸.
- According to available estimates, around 17% of overall Levy receipts has been allocated to the other Devolved Administrations

What do English employers think of the Levy?

- Lack of transparency on how the Levy works and how much underspend there is⁹
- Spending the Levy involves too much bureaucracy or administration¹⁰ and the lack of flexibility (e.g. shorter contracts) might be a constraint in the creative industries¹¹
- Some employers indicate lack of time to invest in apprenticeships and lack of commitment to the length of apprenticeships¹²
- 40% of interviewed Levy would prefer a flexible spending model (e.g. 50-50 split of Levy funds on apprenticeships and other training, including work/industry placements and internships and accredited in-house training)¹³
- Investment into entry-level apprenticeships needed to reduce youth unemployment¹⁴
- Unused Levy funds to be directed towards sectors with high skill shortages in the sectors that are most affected¹⁵
- A “pre-apprenticeship salary limit” would ensure Levy is not directed to high earners¹⁶

¹ IFF Research & University of Warwick, 2017; London Economics, 2016

² Patrignani et al., 2021; Battiston et al., 2020a

³ Battiston et al., 2020a; CIPD, 2018

⁴ CIPD, 2018

⁵ Battiston et al., 2020a

⁶ FEweek, 2022a

⁷ FEweek, 2023

⁸ UK Parliament, 2023

⁹ FEweek, 2022

¹⁰ City & Guilds, 2023

¹¹ UVAC, 2022

¹² City & Guilds, 2023

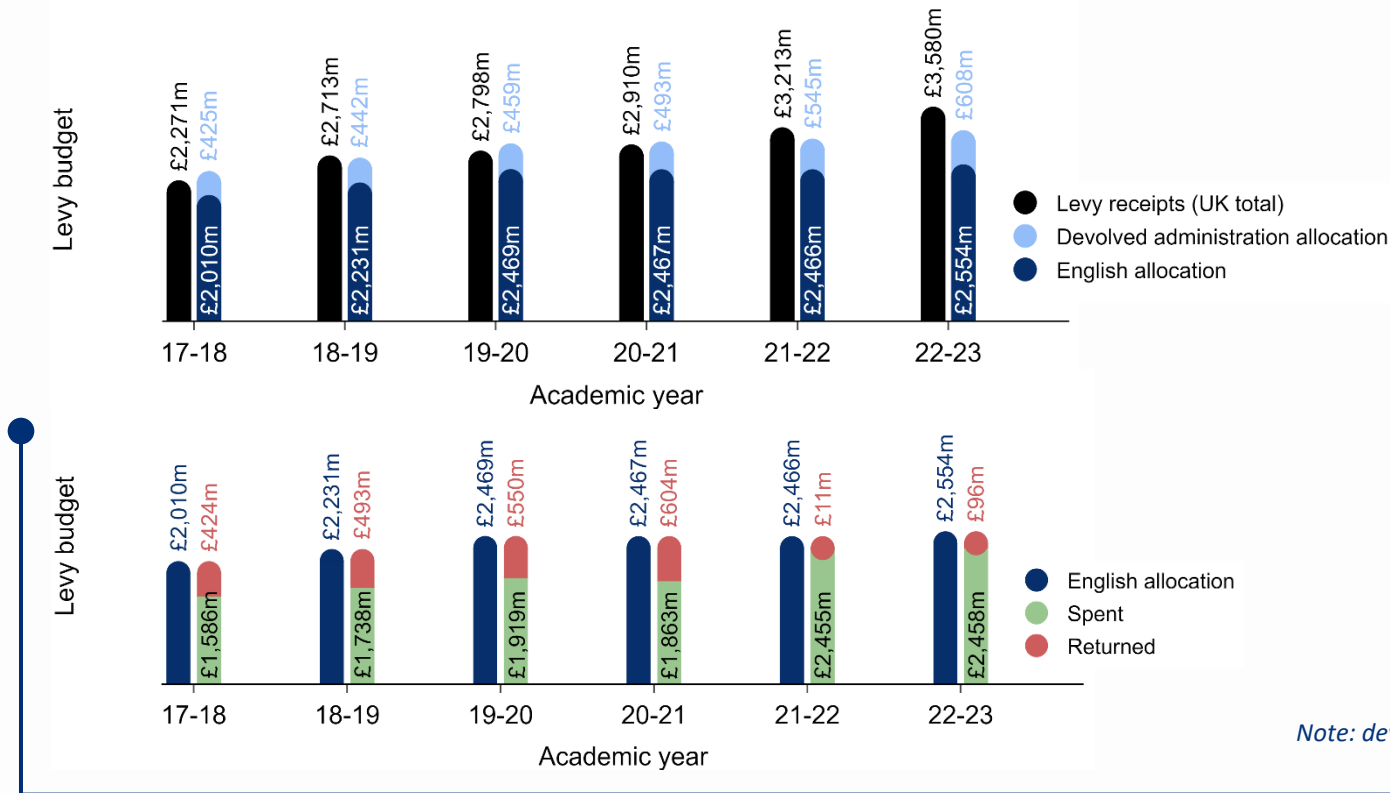
¹³ City & Guilds, 2023

¹⁴ City & Guilds, 2023

¹⁵ City & Guilds, 2023

¹⁶ FEweek, 2022b

Proportion of unused Levy funds over time



Source: DfE FOI & FEWeek

Note: devolved administration allocation after 2019/20 is an estimate

- The Levy budget allocated to England increased from £2bn in 2017/18 to almost £2.6bn in 2022/23
- Almost one quarter of these funds were left unspent during the first four years and returned to the Treasury, but this proportion declined significantly in the last two years
- This suggests that employers subject to the Levy are trying to utilise all available funds (either directly or transferring funds to other employers) in their digital accounts before they expire (at the end of a 24-month window)

Apprenticeship Levy in other home nations

SCOTLAND

- Levy contributions fund the **Flexible Workforce Development Fund (FWDF)** which provides funding of workforce development training in Scotland. Levy payers can receive up to £15,000 in funding, while non-levy payers up to £5,000 (Scottish Funding Council, 2023)
- Similar to Wales, there is **no direct link between Levy payments and the amount available to spend on training by Levy paying employers** (Scottish Funding Council, 2023)

NORTHERN IRELAND

- Similar to Wales and Scotland, the Levy fee is **treated like an additional business tax** in NI (House of Commons, 2022) with no direct link with employer apprenticeship training
- **Department for the Economy (DfE)** in NI meets the **full costs of apprenticeships**; but Levy funds are not ringfenced for apprenticeships / training (House of Commons, 2022)
- Levy funds can be **spent on non-apprenticeship training** (Simpson, 2019)

WALES

- The Welsh government provides funding for degree and higher apprenticeships **directly to the contracted training provider**. This is different to England where funding goes to employers (University of Wales Trinity Saint David, 2023)
- The Welsh government collects the funds and **determines the funding priorities**. The Levy funds can also be spent on **non-apprenticeship training** (Welsh Parliament, 2021)
- In contrast to England, Welsh employers **do not need to contribute anything to the costs of the apprenticeship** (University of Wales Trinity Saint David, 2023)

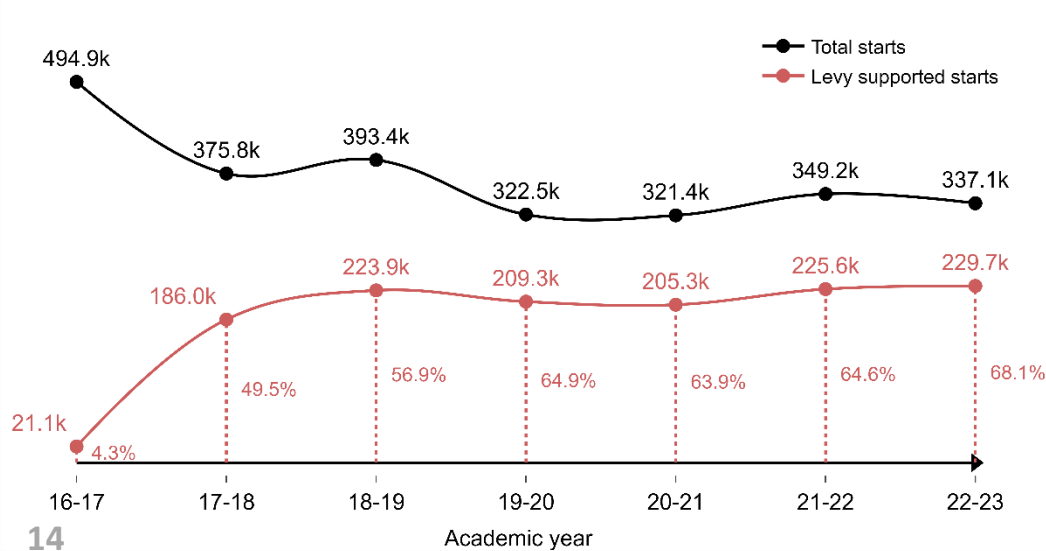
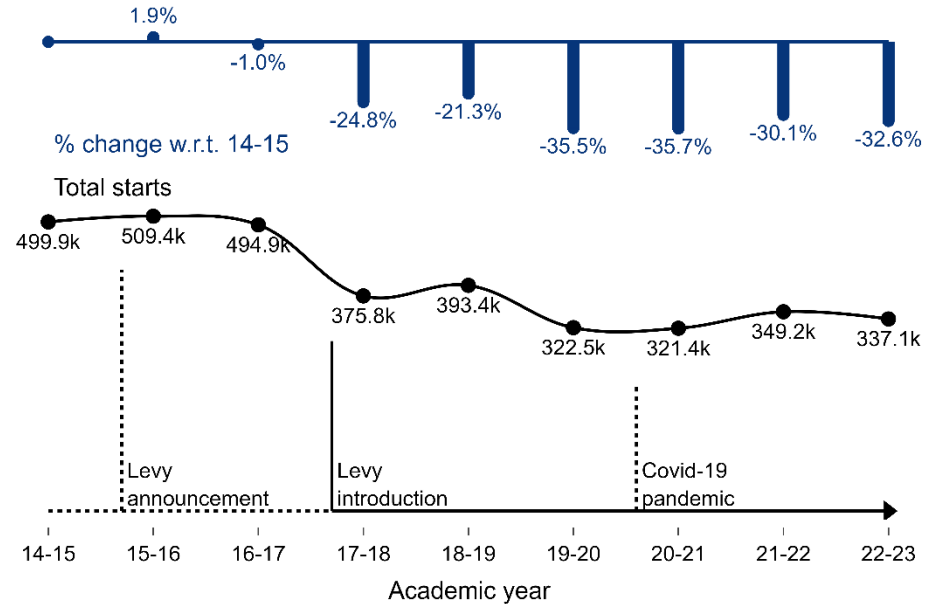


Trends in apprenticeship starts in England over time



Apprenticeship starts in England overtime

- Apprenticeships starts were stable between 2014/15 and 2016/17 and then dropped by 25% in 2017/18 (after the introduction of the Levy)
- The **Covid-19 pandemic** also negatively affected starts and there was only limited recovery after 2021
- Further changes affected the apprenticeship system during that time, e.g. the phasing out of frameworks and the introduction of a 20% minimum threshold for off-the-job training (which became 6 hours per week in 2022)

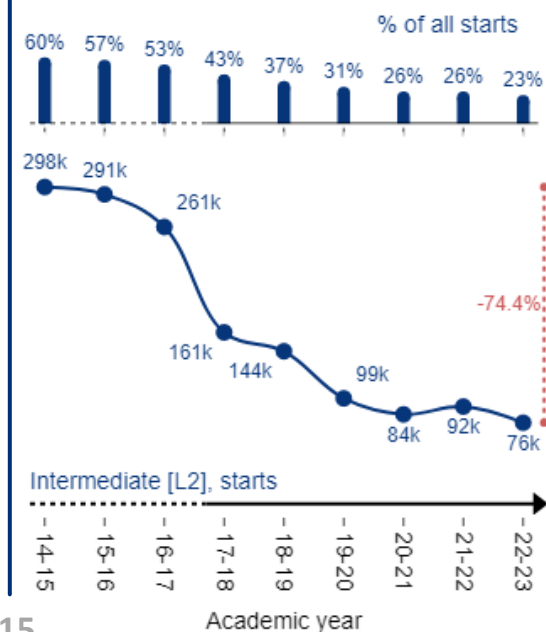


- The proportion of Levy funded starts was already 50% in 2017/18 and increased to around 65% by 2019/20
- After being relatively stable for 3 years **the proportion of Levy funded starts increased to 68% in 2022/23**
- This may be connected with Levy employers trying to use all the funds in their digital accounts and the decline in the proportion of unused funds

Trends by level of the apprenticeship

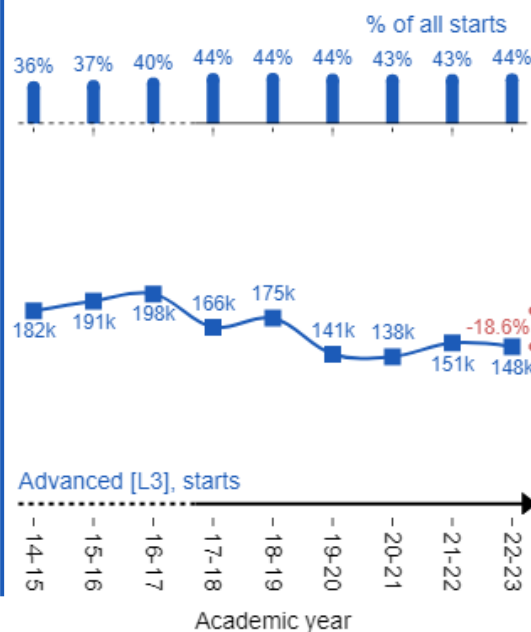
Intermediate [L2]

- L2 starts represented 60% of the total in 2014/15, but only 23% in 2022/23
- In fact, in 2022/23 there were only 76k L2 starts, compared with almost 300k in 2014/15 (a decline of more than 220k starts)
- The biggest annual drop (100k) was observed between 2016/17 and 2017/18



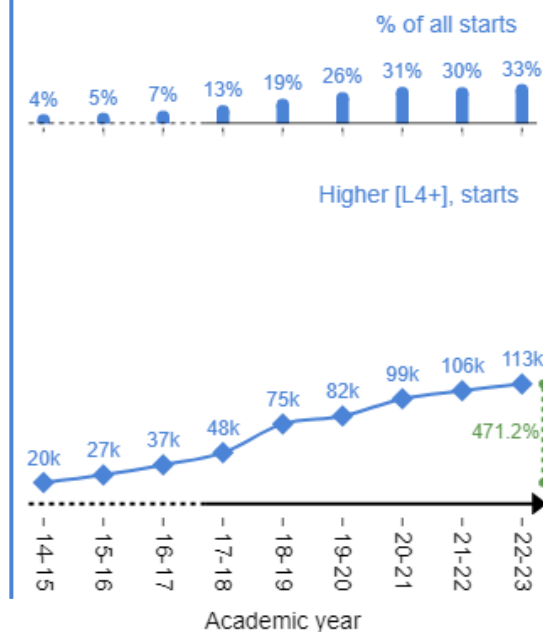
Advanced [L3]

- Advanced starts represented 44% of all starts in 2022/23, increasing from 36% in 2014/15
- The proportion increased to 44% in 2017/18 and has stayed roughly constant since then
- However, in absolute terms there was a decline in L3 starts of around 35k compared to 2014/15 levels, corresponding to -19%



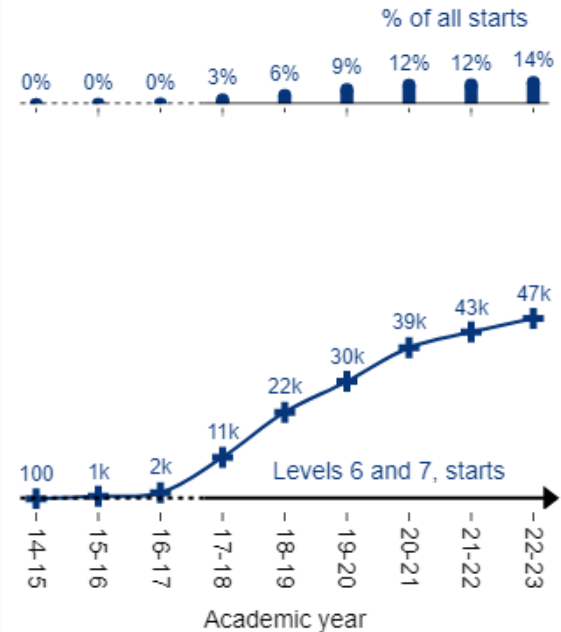
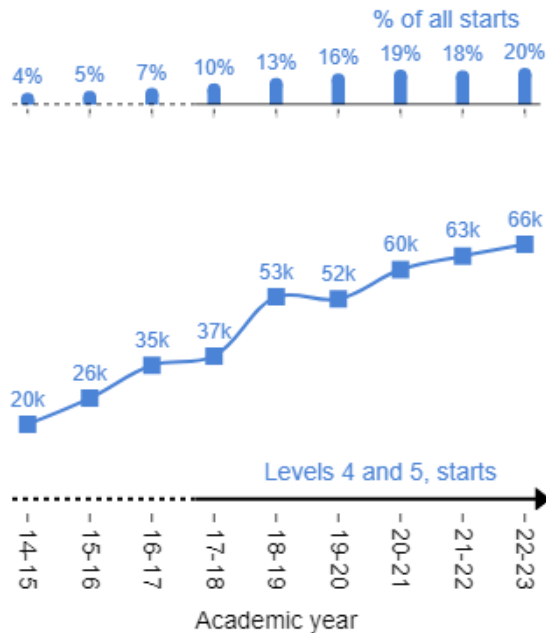
Higher [L4+]

- Starts at higher level increased rapidly, both in absolute terms (from 20k to 113k) and as a proportion of the total (from under 5% to one third of total starts)
- This trend has been consistent over time, with a particularly large increase (35k) between 2018/19 and 2019/20



Detail on higher apprenticeships

- Level 4 and 5 apprenticeship starts have increased rapidly over time, rising from 26k in 2015/16 to 66k in 2022/23.
- The increase in starts at L4 and L5 has been particularly high between 2017/18 and 2018/19 (adding 16k)
- Starts at Level 4 and 5 now represent 20% of all starts (compared to 5% in 2015/16)

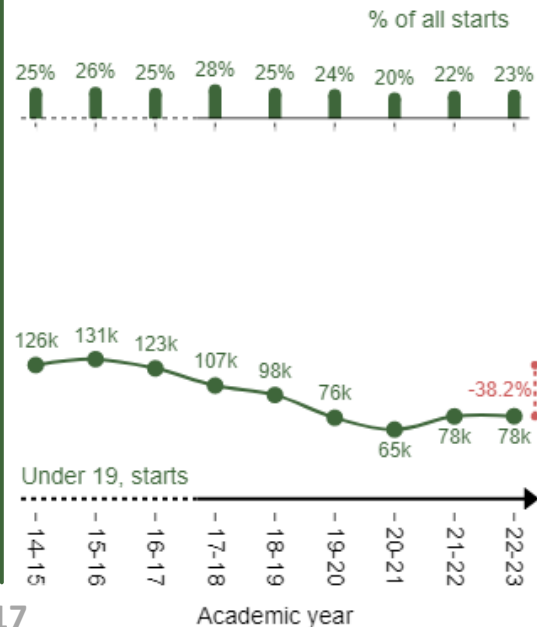


- Starts at level 6 and 7 (corresponding to degree apprenticeships) represented a very small proportion of all starts in 2015/16 (less than 1%) but 14% in 2022/23
- The increase in L6 and L7 starts has been consistently high after 2016/17 and particularly strong between 2017/18 and 2018/19 (11k)
- Over the last two years the growth has been relatively modest, adding only 4k new starts per year

Trends by apprentice age

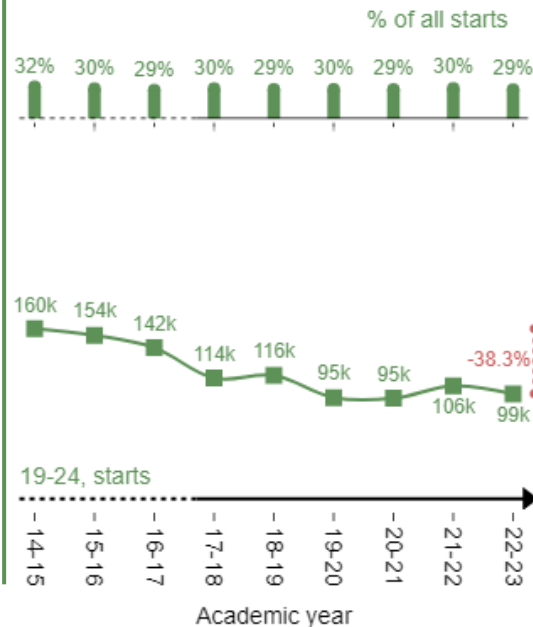
Under 19

- The proportion of younger starters (under 19) slightly decreased over time (from 25% to 23%)
- That corresponded to a loss of ca. 40k apprenticeship starts for the age group (and a fall of 38% compared to 2014/15 levels)
- Younger starters were hit particularly hard by the Covid-19 pandemic



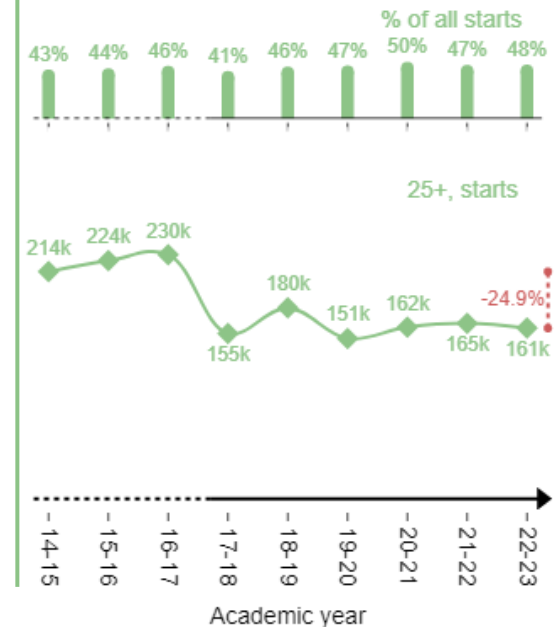
19-24

- The number of starters aged 19-24 also experienced a 38% decline in the period
- The proportion of starters in this age group declined slightly, from 32% to 29%
- In absolute terms, this group saw a loss of 60k starts

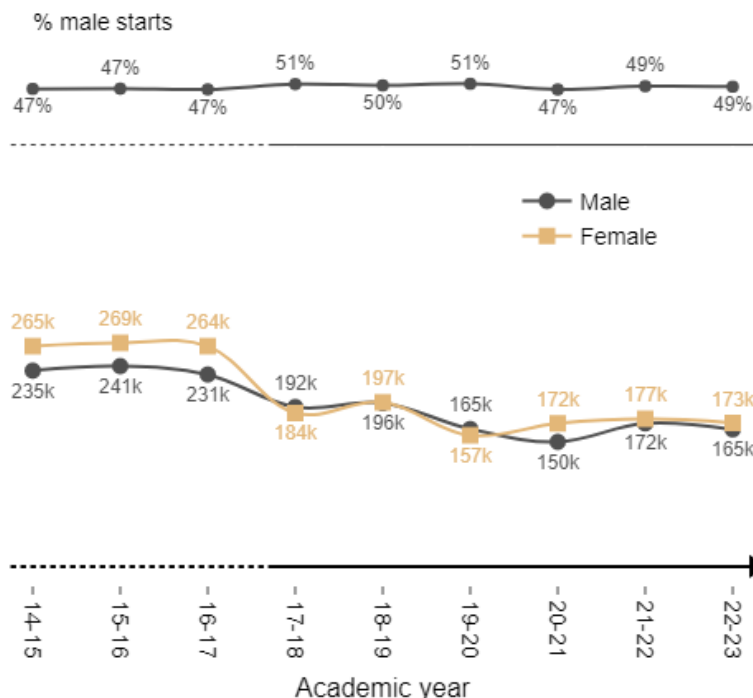


25+

- Starts for the older age group (25+) also declined over time, but by 25% (relatively lower decline compared to the other age groups)
- As a result, the proportion of older starters grew from 43% to 48%
- In absolute terms, the loss in the period was in excess of 50k starts

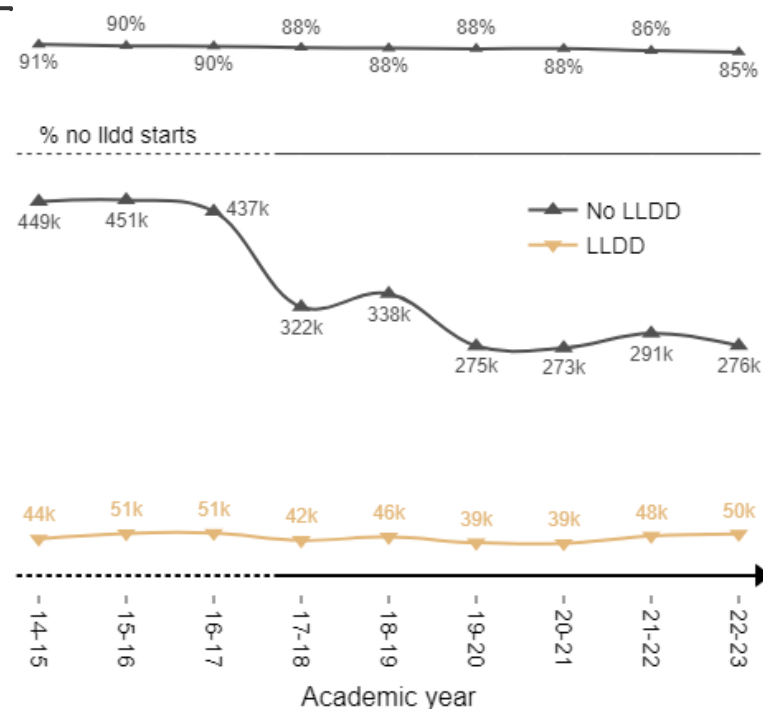


Starts by gender and learning disabilities



Gender

- The proportion of male and female starters was relatively stable over time, as both exhibit a similar decline in absolute terms in the period considered
- In 2022/23, 51% of starters were female (8k more than the number of male starters)



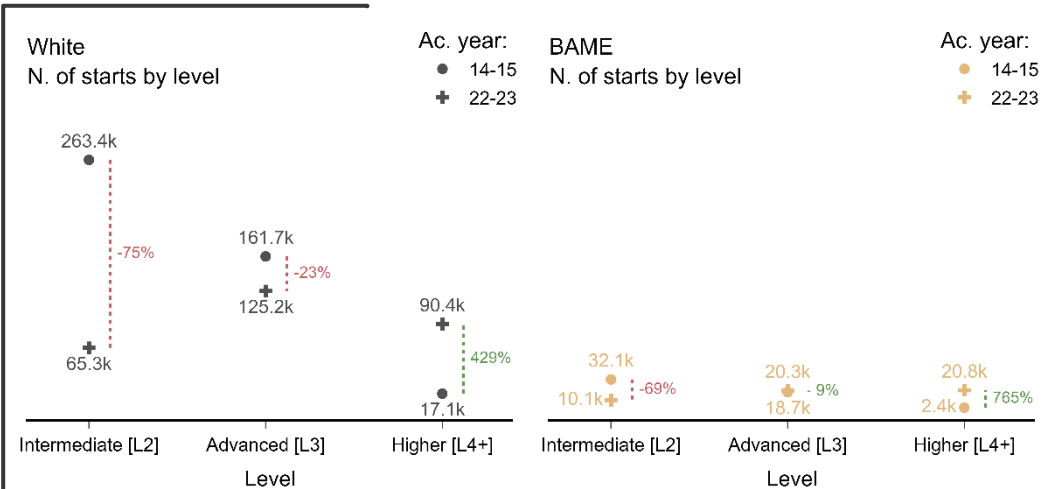
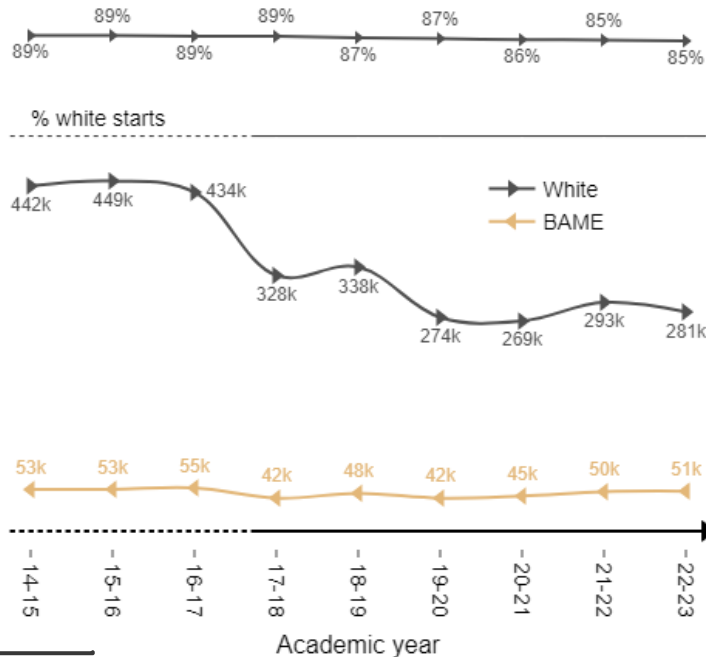
- The number of starters with learning disabilities was higher in 2022/23 (50k) compared with 2014/15 (44k). Over the same time period, the number of starters without LLDD declined from 450k to 276k
- As a result, the proportion of starters without LLDD represented 85% of all starts in 2022/23, compared to 91% in 2014/15

Learning difficulties and/or disability (LLDD)

Starts by ethnic background and level

● Ethnic minorities (BAME)

- The number of starters from white backgrounds fell substantially over time, while the number of starters from BAME backgrounds was more stable
- As a result, white apprentices represented 85% of all starts in 2022/23 compared with 89% in 2014/15



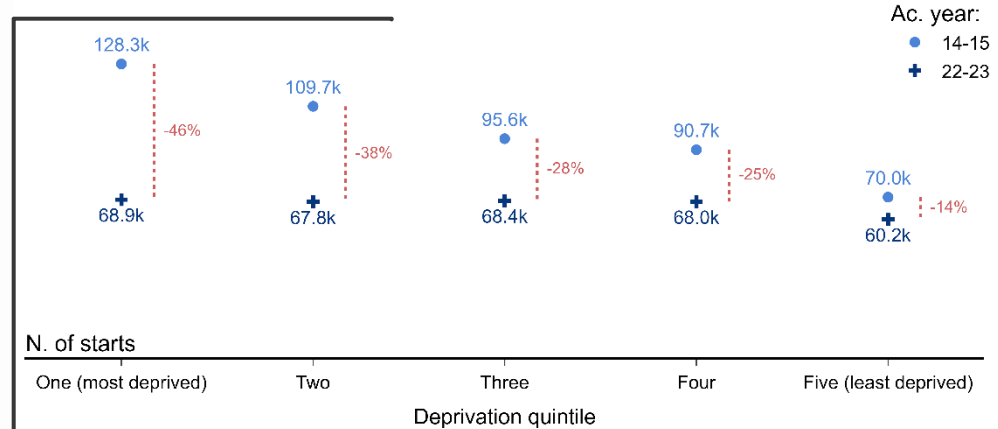
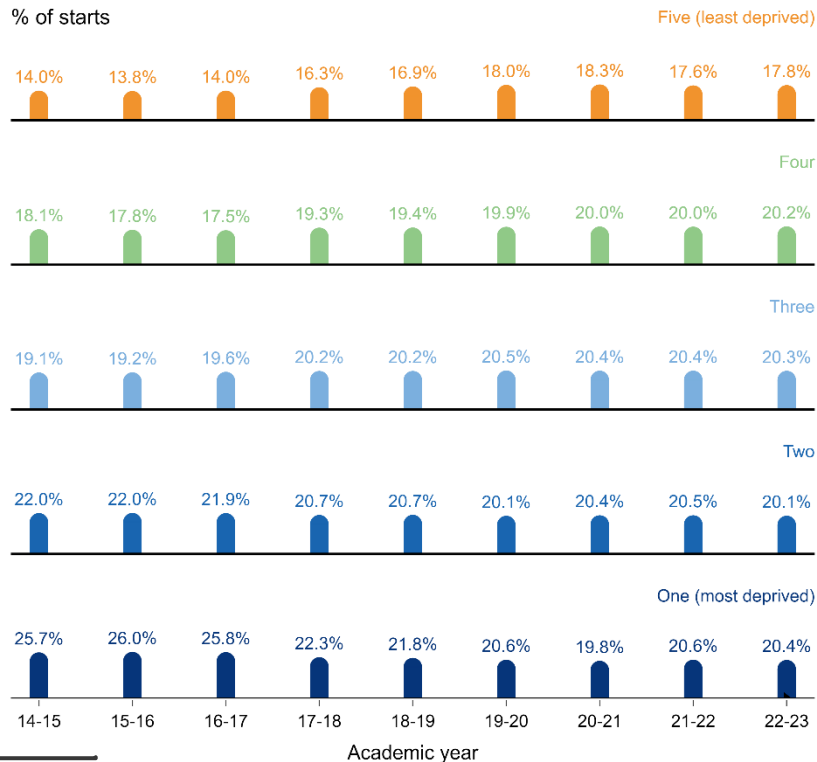
● Change in the number of starts by ethnic background and level, between 2014-15 and 2022-23

- Apprentices from both ethnic background groups experienced a significant decline in Intermediate (L2 starts) simultaneously experiencing an increase in higher level (L4+) apprenticeships. The BAME group also experiencing a slight increase in the number of starts at L3 (compared to a decline for the 'White background' group)

Starts by area deprivation level

Deprivation level, composition of starts

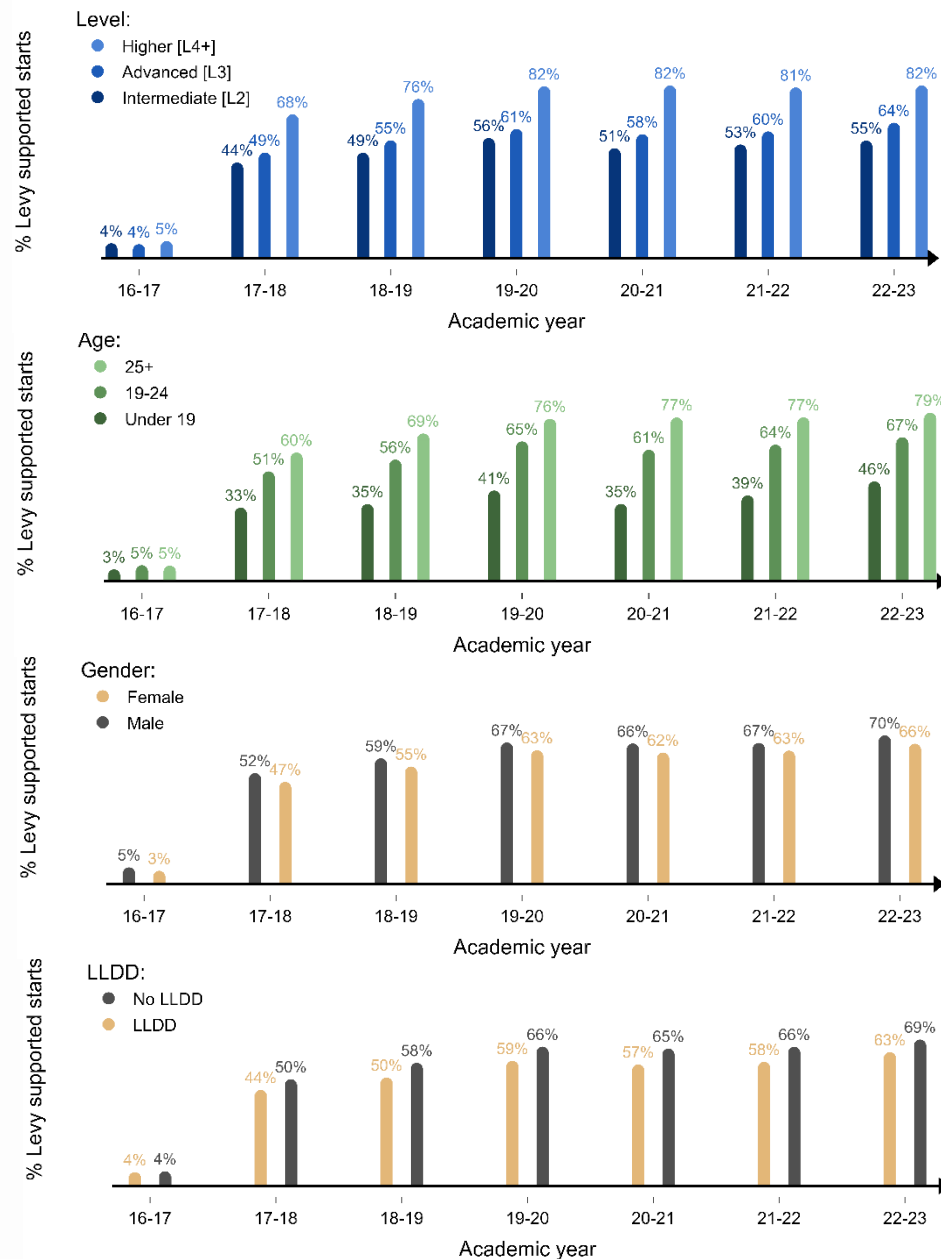
- The proportion of starts from more deprived areas (bottom two socioeconomic quintiles) declined over time from around 48% to just above 40%. On the other hand, the proportion of starts from less deprived backgrounds (top two quintiles) increased from 32% to 38%.



Deprivation level, change in starts between 14-15 and 22-23

- In absolute terms, areas belonging to the two bottom quintiles for deprivation lost more than 100k starts between 2014/15 and 2022/23, while areas in the two top quintiles 'only' lost around 32k starts

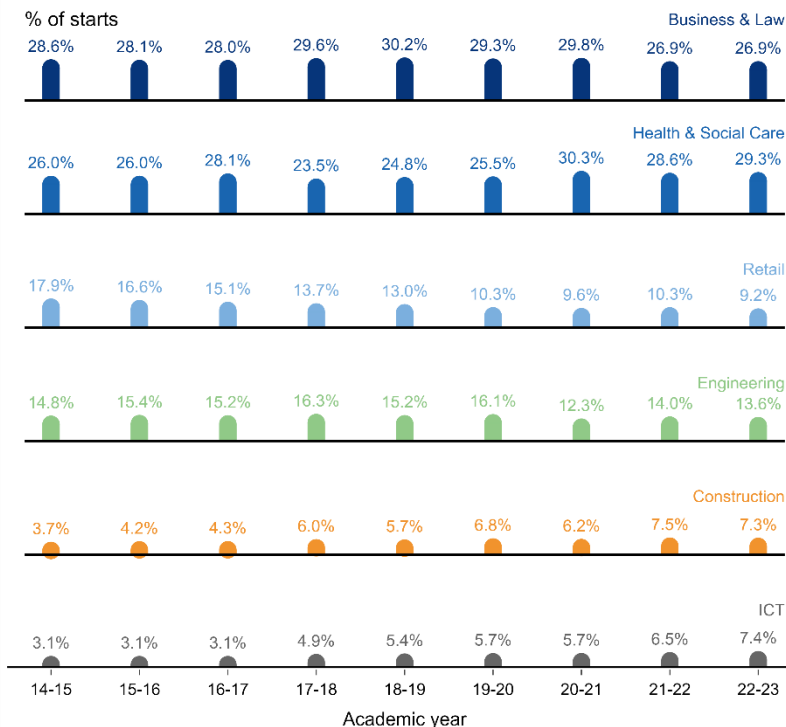
Levy funding by demographic characteristics



Percentage of Levy funded starts by level and personal characteristics

- More than 80% of higher-level starts are funded by the Levy, while the proportion is much lower (64% and 55%) for L3 and L2 starts.
- Similarly, almost 80% of starts for the group aged 25+ are funded by the Levy, while that's the case for only 67% and 46% of those aged 19-24 and Under 19
- A slightly higher percentage of male starts are funded by the Levy (70% vs. 66% for females) and the gap has been consistently around 4 percentage points over time.
- Around 69% of non-LLDD starts are Levy funded, compared to 63% for LLDD starts, with the gap between the two groups ranging between 6 and 8 percentage points throughout the period

Starts for main subject areas

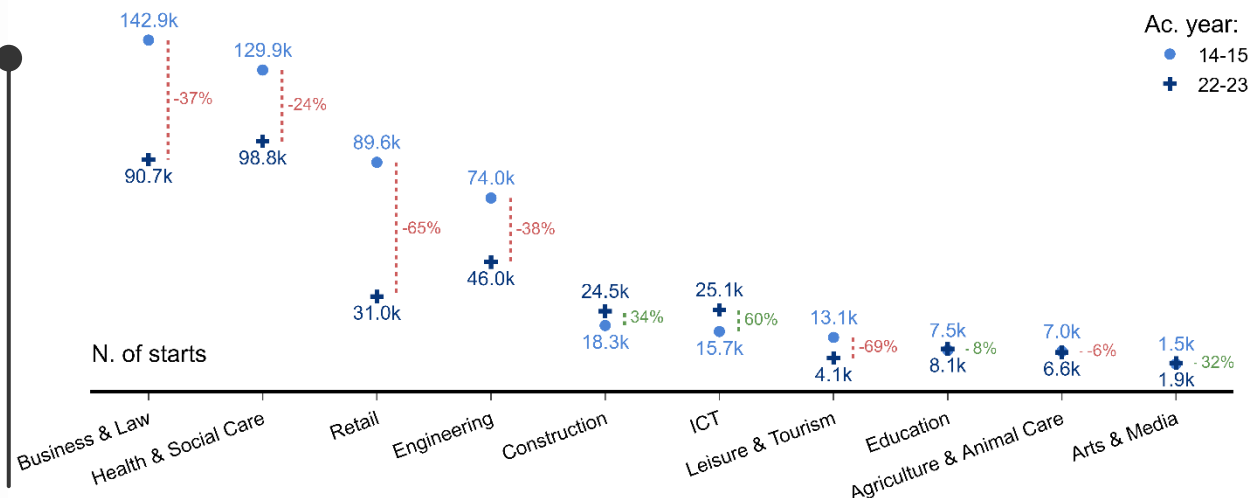


Subject area, composition of starts

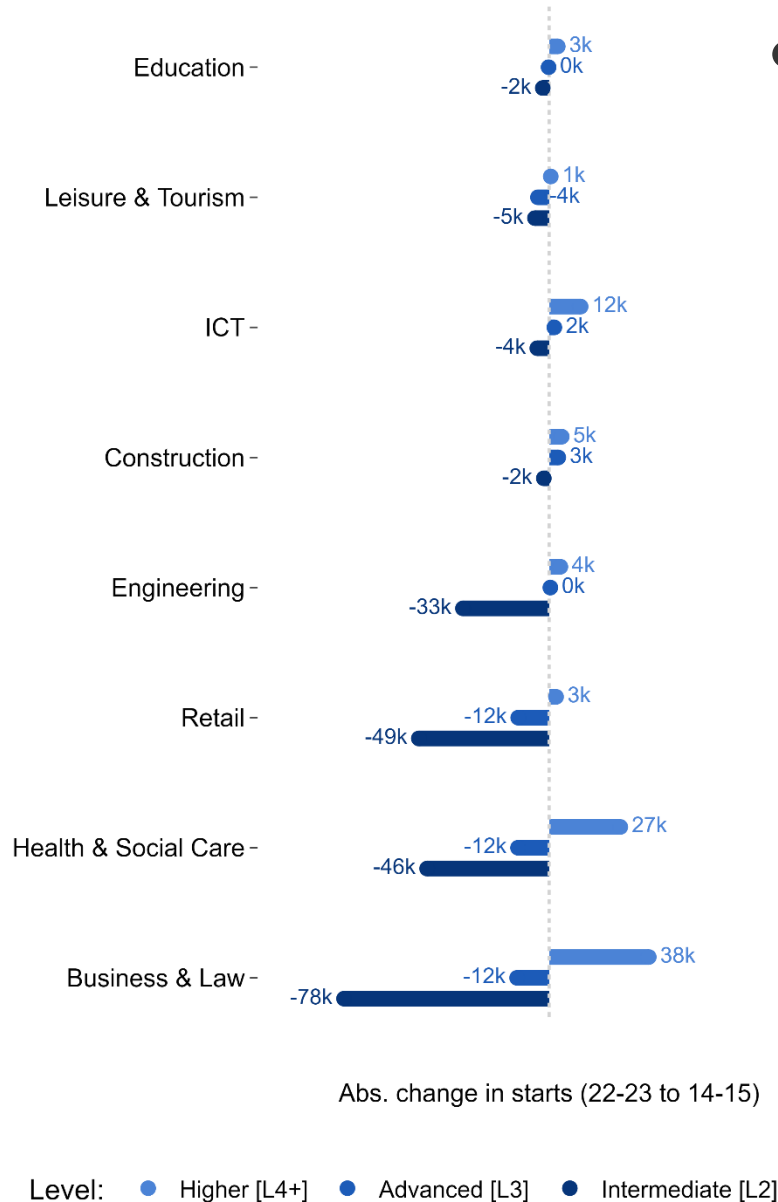
- Starts declined across most subject areas, **with a particular pronounced fall in Retail and Leisure and Tourism** (both experiencing a reduction in excess of 60%)
- Health & Social Care and Business & Law** were still the predominant subject areas (29% and 27%) in 2022/23 but both experienced a reduction in starts over time (24% and 37%)

Subject area, change in starts between 14-15 and 22-23

- Starts in Engineering also declined (by 38% and 28k in absolute terms) over the period
- Contrary to the main trends, both Construction and ICT subject areas saw an increase in the number of starts, by 34% and 60% respectively



Change in starts by subject area and level



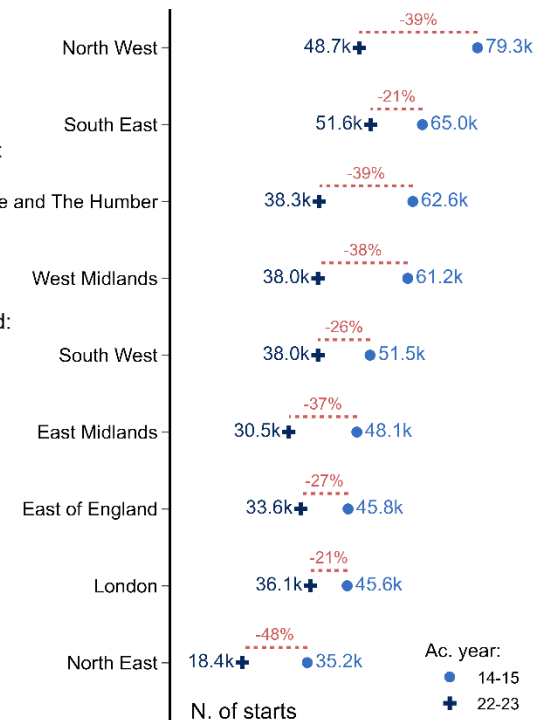
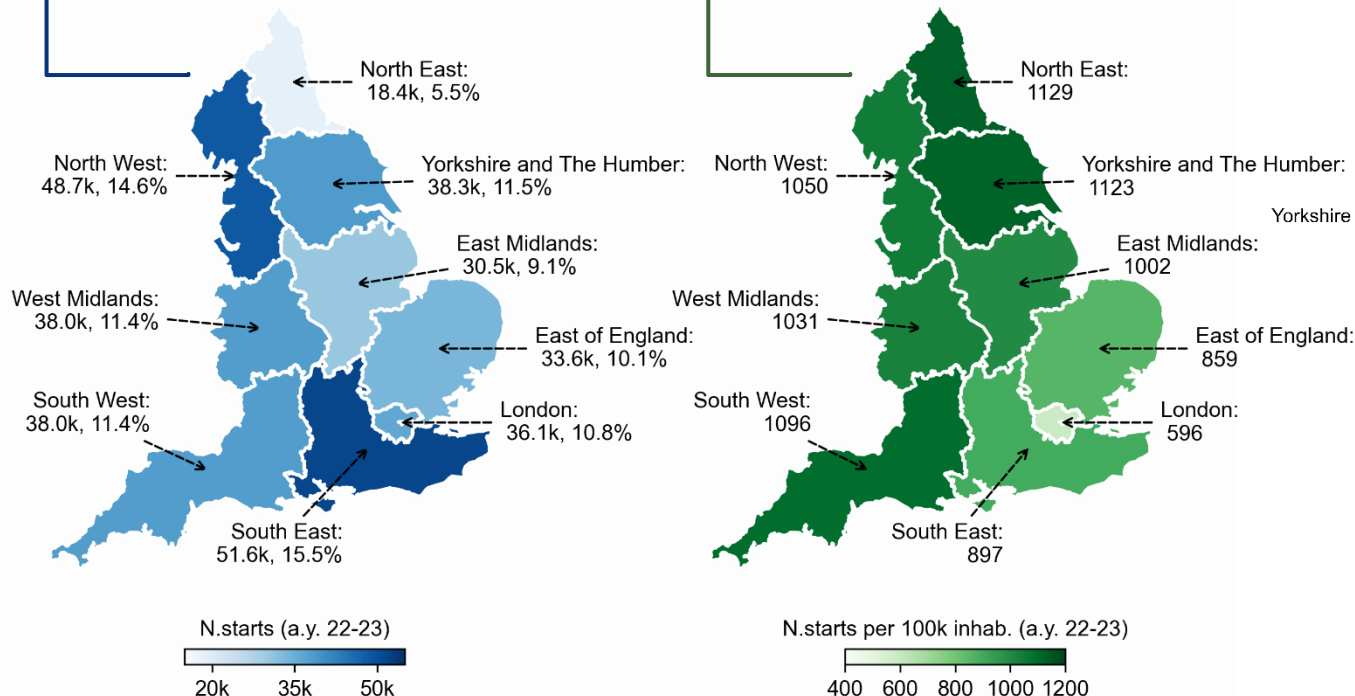
- Looking in more detail, starts in **Health & Social Care** and **Business & Law** declined substantially at L2, but increased at Higher levels (L4+)
- For **Retail** there was only a slight increase in L4+, but a large reduction in L2 and L3 starts
- Starts in **Engineering** also declined significantly at L2
- For **ICT** and **Construction** there was a decline at L2, however this was more than compensated for by an increase at L4+ (and also an increase at L3)

Starts by English region

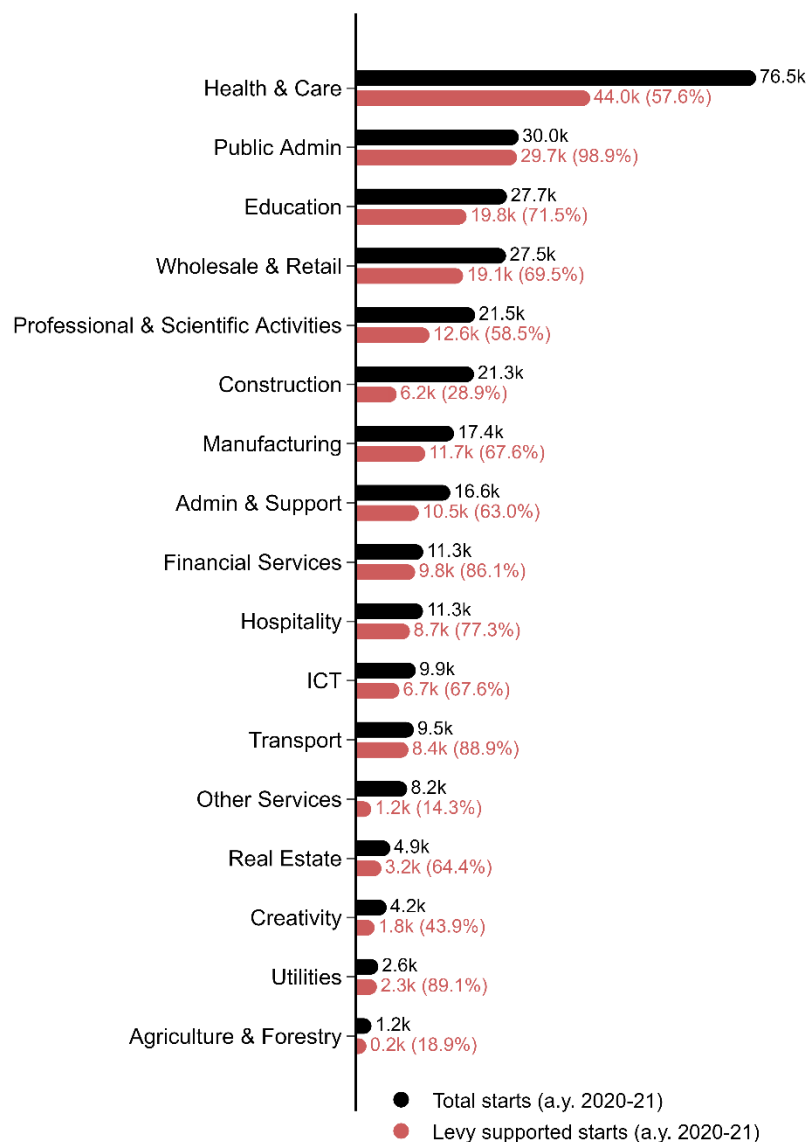
- The English region with the highest number of starts in 2022/23 was the South-East (52k, almost 16% of the total), followed by the North West (49k and 15%)
- The lowest number of starts was recorded in the North East (18k representing less than 6% of all starts)

- However after taking into account the population in each region, the highest intensity was observed in the North East and Yorkshire and the Humber (around 1,100 starts per 100,000 inhabitants)
- The London area had the lower intensity rate per head of population (600 starts per 100,000 inhabitants)

- This relatively high intensity in the North East and Yorkshire and the Humber was despite these regions losing between 39%-48% of their starts since 2014/15
- The decline in starts in the London and South East areas was relatively lower (-21%) over the same time period



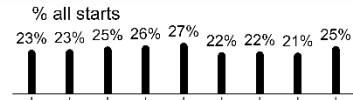
Starts by industry in 2020/21



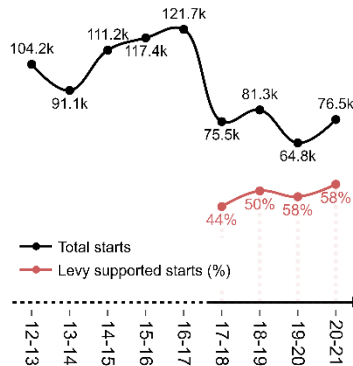
Proportion of Levy supported starts by Industry (2020-21)

- Starts by Standard Industrial Classification code show that the largest sector in 2020/21 was Health and Care (representing around one quarter of all starts) followed by the Public Administration and Education sectors (both around 10%)
- The proportion of Levy funded starts was very high for the public administration sectors (99%) but also for Financial Services, the Utilities and Transport sectors (86%-89%) and Hospitality sector (77%), reflecting the larger size of employers in these sectors
- On the other hand, the proportion of Levy funded starts was low for Other Services (14%), Agriculture & Forestry (19%), the Construction sector (29%) and Arts & Entertainment (44%), reflecting the typical smaller size of employers in these sectors

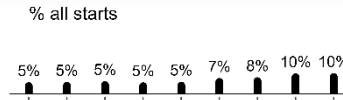
Starts by industry, trends



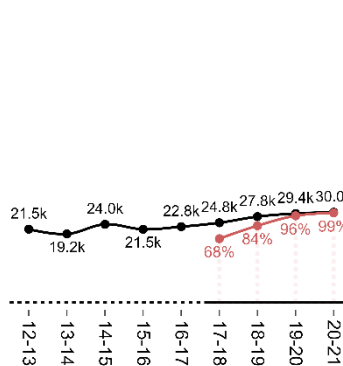
Health & Care



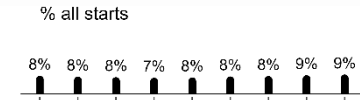
Starts in **Health & Care** declined over time, and the proportion fluctuated between 21% and 27%



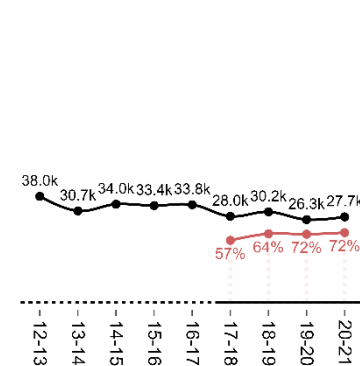
Public Admin



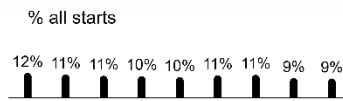
Starts in the **Public Administration** sector increased over time and the proportion doubled (from 5% to 10%)



Education

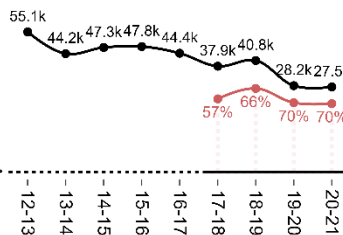


Starts in the **Education** sector declined but the proportion was generally stable around 8%-9%

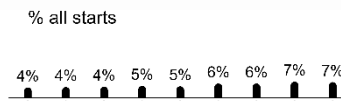


Wholesale & Retail

Starts in the **Wholesale and Retail** sector declined over time and the proportion fell from 12% to 9%

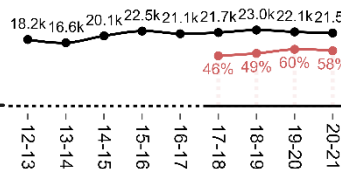


Academic year

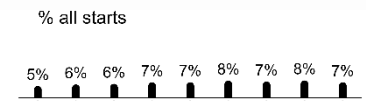


Professional & Scientific Activities

Starts in **Professional & Scientific activities** increased over time and the proportion rose from 4% to 7%

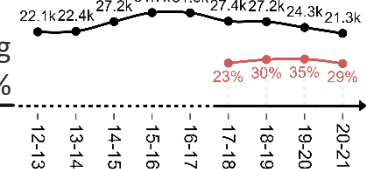


Academic year



Construction

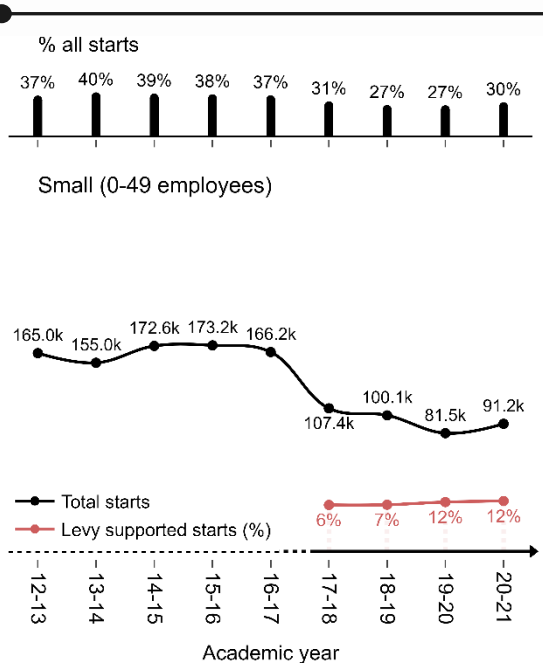
Starts in the **Construction** sector first increased and then declined, with the proportion rising from 5% to 7/8%



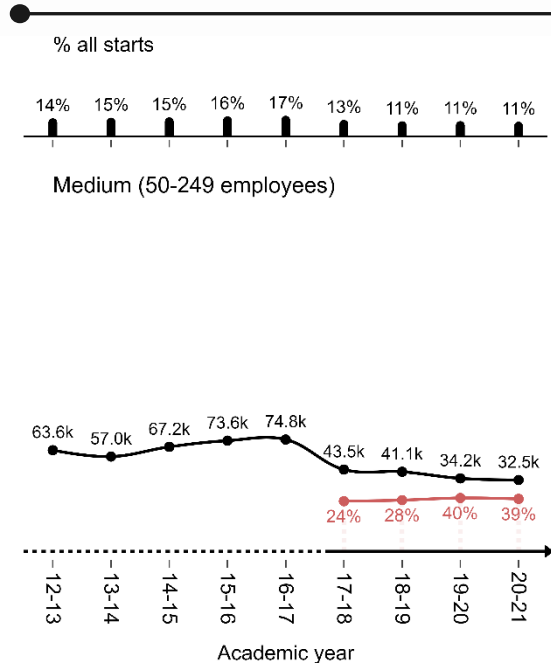
Academic year

Starts by employer size

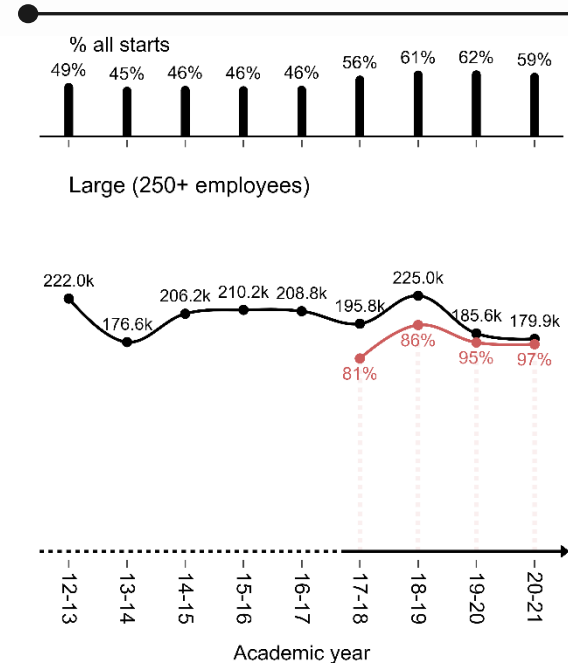
- Starts for small employers almost halved over time, with the proportion declining from around 40% to 30% (and lower)
- The main break over time was observed around the introduction of the Levy and change in funding rules, with around 60k fewer starts for small employers
- Due to the funding mechanism, the proportion of Levy funded starts is quite low (12%) for small employers



- Medium sized employers also experienced a substantial decline in starts (from around 70k to less than 35k), with the proportion for this group declining from around 15% to 11%
- Again, number of starts declined significantly between 2016/17 and 2017/18
- The number of Levy funded starts for this group of employers was around 40%



- The number of starts for large employers also declined to some extent, but they represented around 60% of all starts after the introduction of the Levy (compared to 45% before)
- In particular, starts declined by almost 40k between 2018/19 and 2019/20 (also driven by the Covid-19 effect)
- As expected, almost all starts for this group of employers were funded by the Levy

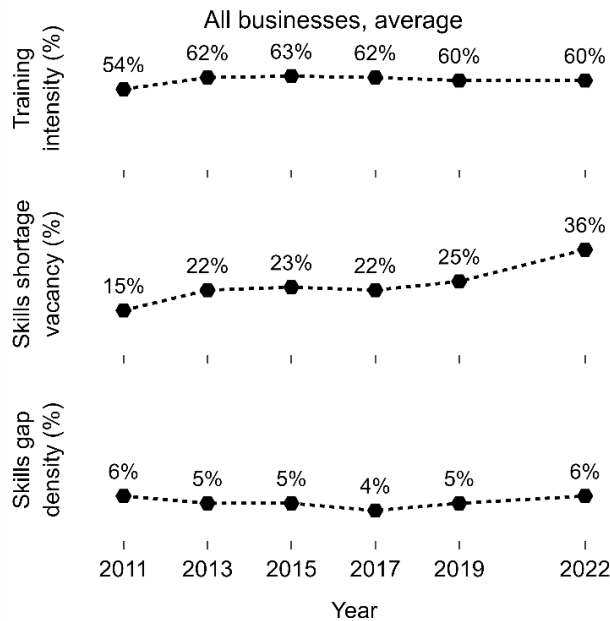


Training, skill gaps and shortages among English employers

Evidence from the Employer Skills Survey



Training, skill gaps and shortages



- Overall, **training intensity** only slightly declined over time and was around 60% in 2022 (unchanged from 2019)
- The **skills shortage vacancy rate** was roughly stable between 2013 and 2019 (between 22%-25%), but rose dramatically in 2022 (36%), reflecting difficulties in finding new employees with the required skills and qualifications
- The incidence of **skill gaps** (reflecting lack of proficiency in current staff) rose slightly over time, from 4% in 2017 to 6% in 2022
- The sudden increase in the SSV rate is likely to be associated with a combination of factors, including the end of freedom of movement for EU citizens and the new rules for inward migration.

Definitions

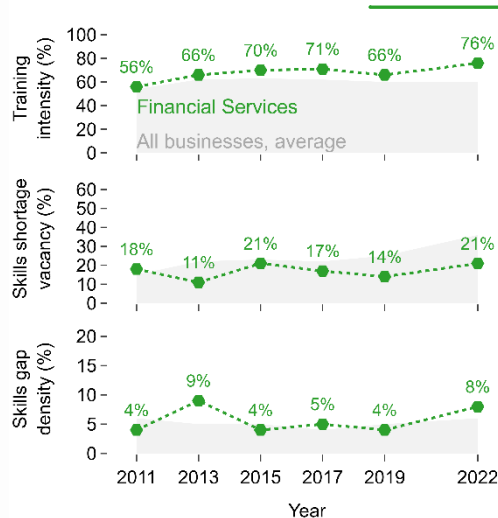
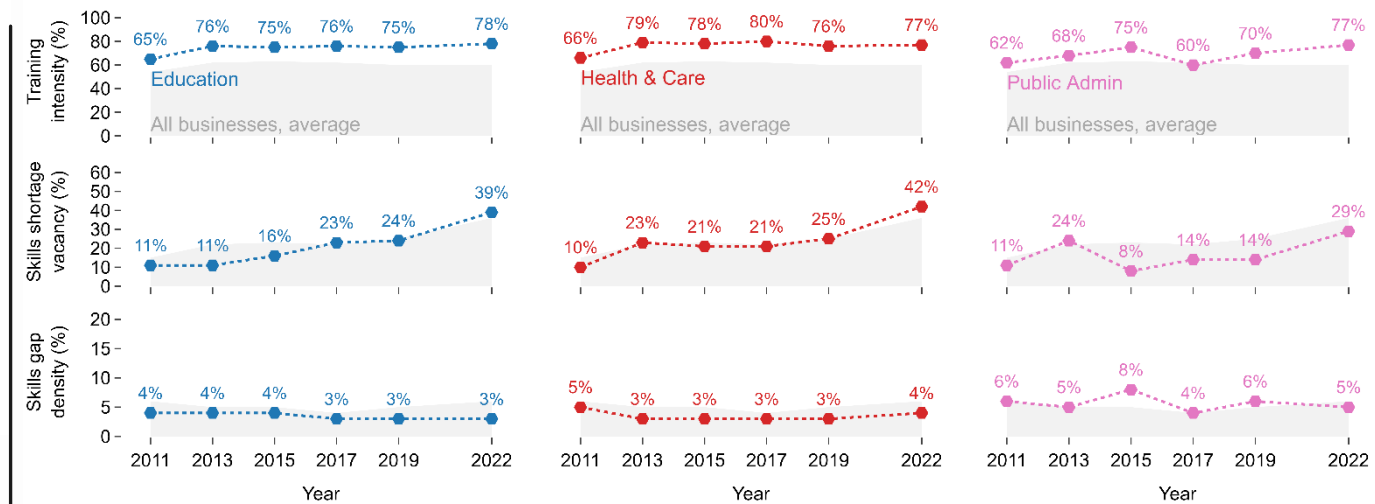
Training intensity reflects the proportion of employees that received any training (including Health & Safety training) in the past 12 months

A **skill-shortage vacancy (SSV)** is a vacancy that is hard to fill due to a lack of skills, qualifications or experience among applicants

A **skills gap** is where an employee is judged by their employer to lack full proficiency

ESS - evidence from selected sectors

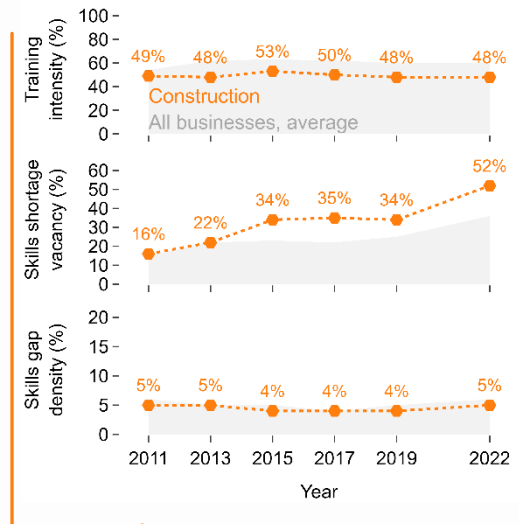
Employers in the Education, Health and Care and Public Administration sectors all provided high levels of training in 2022 (and increasing over time) and had low skill gap density. However, SSV increased substantially for all three sectors



Employers in the Financial services sector had relatively high levels of training in 2022 and a lower than average SSV (although increasing over time), but high skill gap density.

The Construction industry reported a persistently high rate of skills shortage vacancies, which further increased between 2019 and 2022.

Training levels are lower than average, at around 48%, while Skills gaps density ranged between 4% and 5%

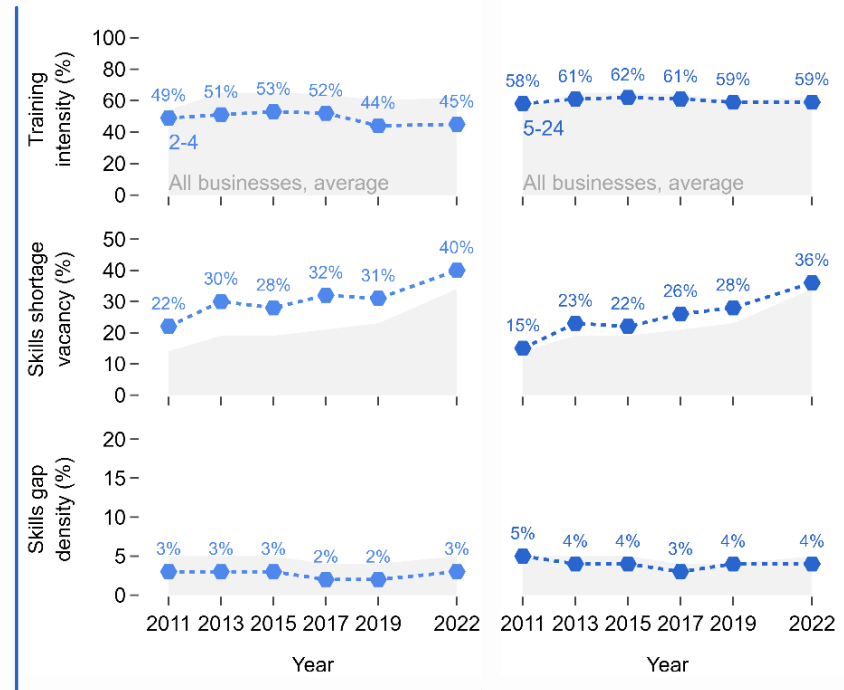
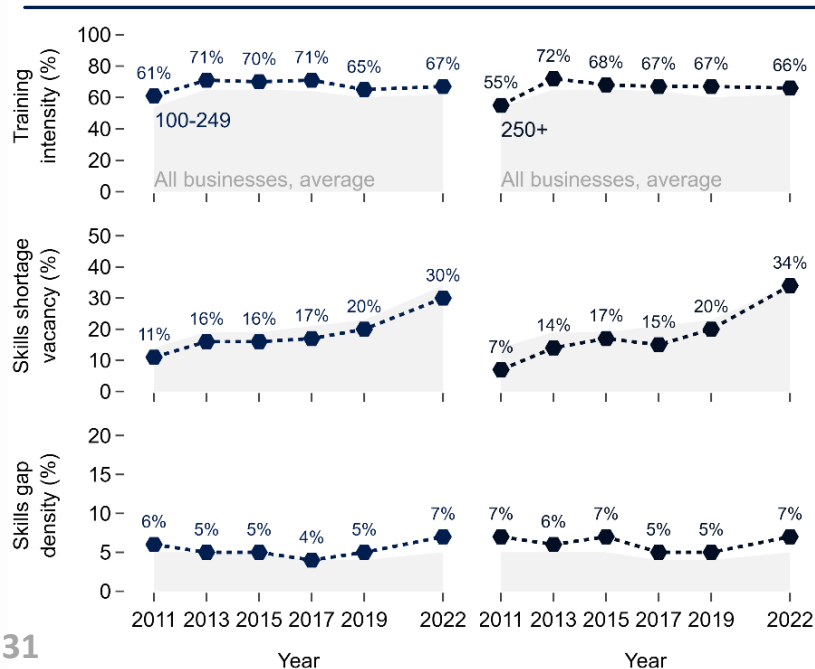


Note: the grey shaded area identifies the average across all businesses

ESS - evidence by selected employer size

- Training intensity is lower than average in micro employers (2-4 employees), while the skills shortage vacancy rate is higher than the overall rate
- However, the incidence of skills gaps is also lower than average in micro and small employers (those with 5-24 employees)

- Training intensity is higher in large employers (those more likely to be paying the Levy), but they also experienced a larger increase in skills shortages and skills gaps between 2019 and 2022 compared to smaller employers
- The incidence of **skill gaps** (reflecting lack of proficiency in current staff) rose slightly over time, from 4% in 2017 to 6% in 2022



Overall, skills shortages increased irrespective of employer size, and training levels provided seem to have little association with SSV and skills gaps density

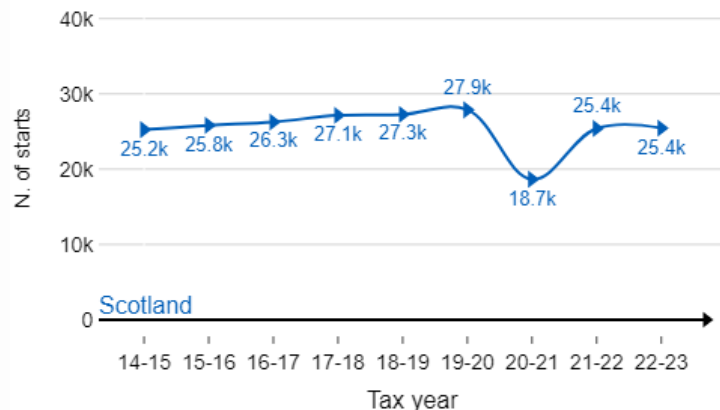


Note: the grey shaded area identifies the average across all businesses

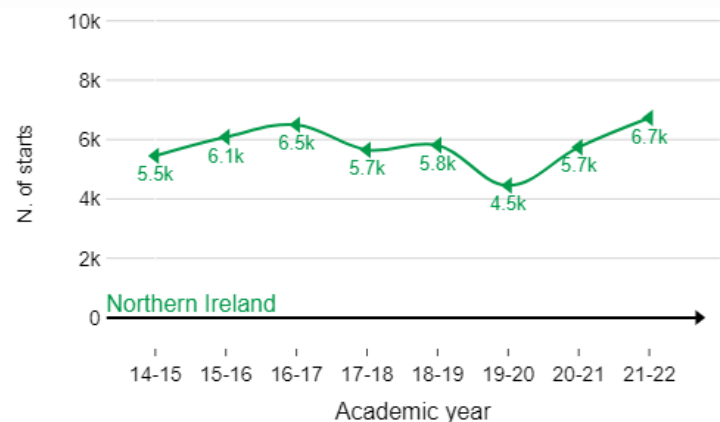
Trends in apprenticeship starts across the other Home Nations



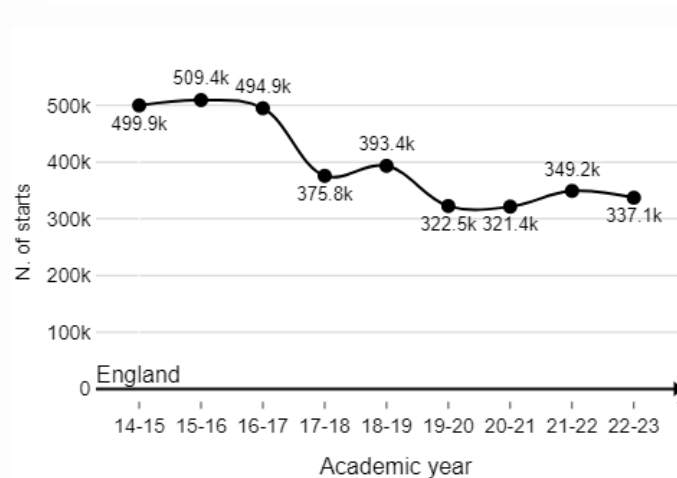
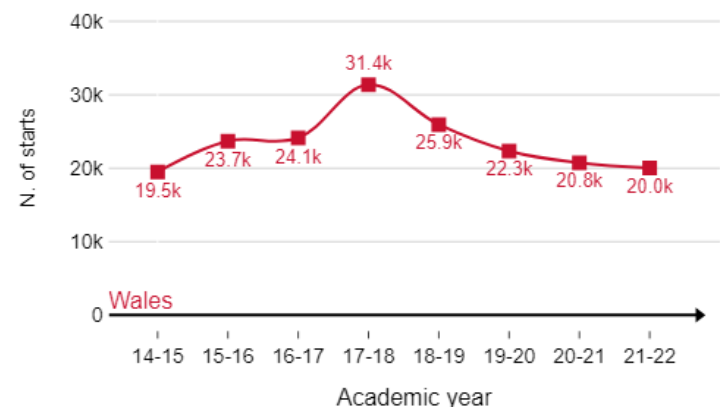
Starts across the other Home Nations



- Although there were short term fluctuations in the level of apprenticeship starts, none of the other Home Nations experienced a similar decline to England over the relevant time period



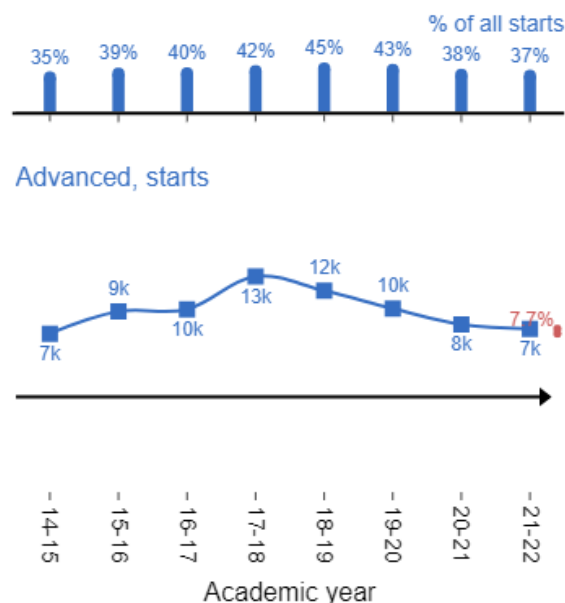
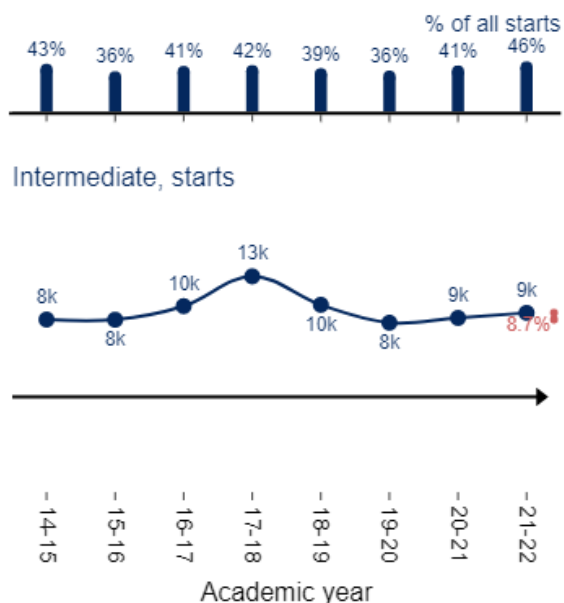
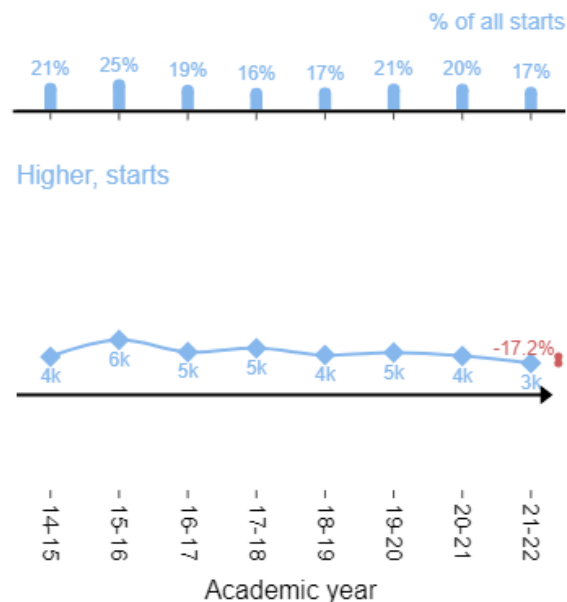
- In all cases, the level of starts in the most recent year were similar to 2014/15 (Wales, Scotland) or even higher (Northern Ireland)



Wales – starts by level

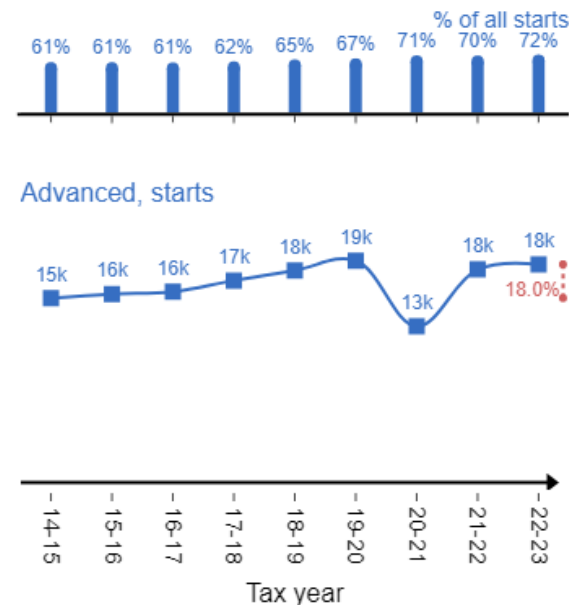
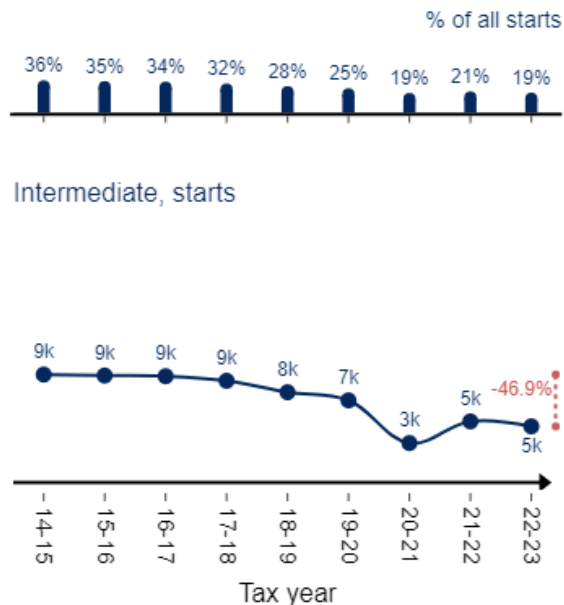
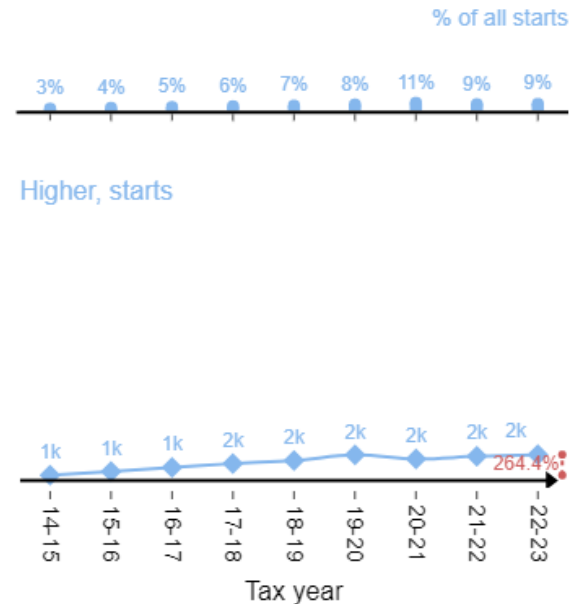


- In Wales there was a small increase in the number of starts at Intermediate and Advanced level between 2014/15 and 2021/22
- Higher level starts declined over the same period (both in absolute terms and as a proportion of the total), only representing 17% of all starts in 2021/22 (compared to 33% in England)



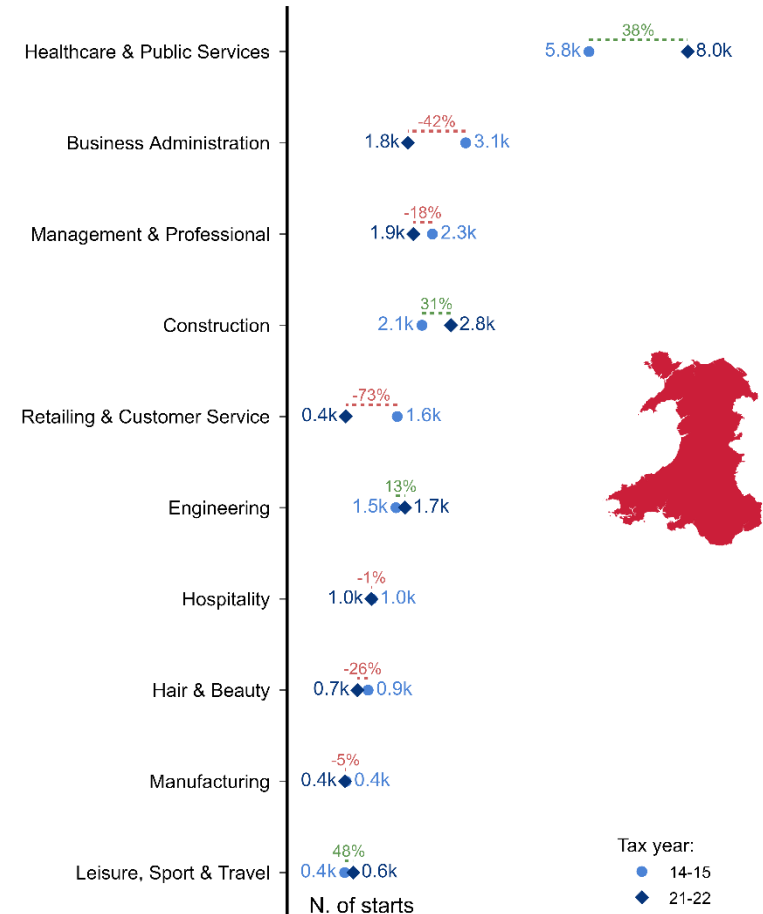
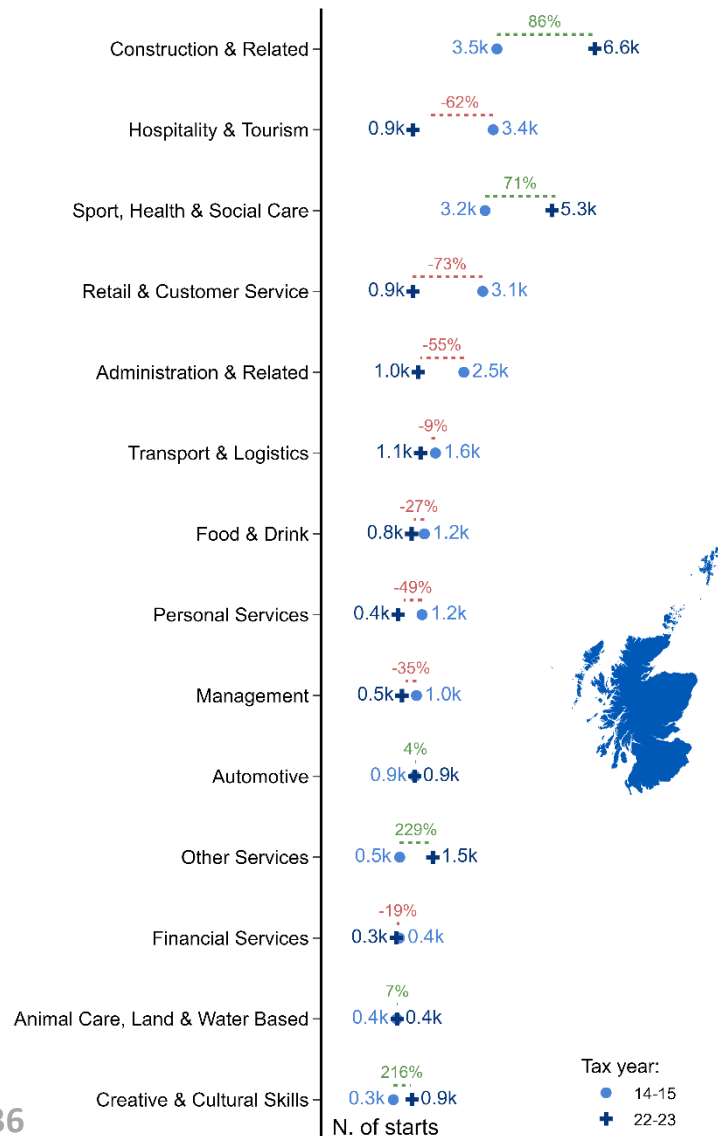
Scotland – starts by level

- In Scotland Intermediate starts also declined rapidly (-47% between 2014/15 and 2022/23), but mostly in favour of advanced starts (which represented 72% of all starts in 22/23)
- Higher level starts also increased their share but represented just 9% of all starts in 2022/23 (compared with 33% in England)



Starts by selected subject areas in Scotland and Wales

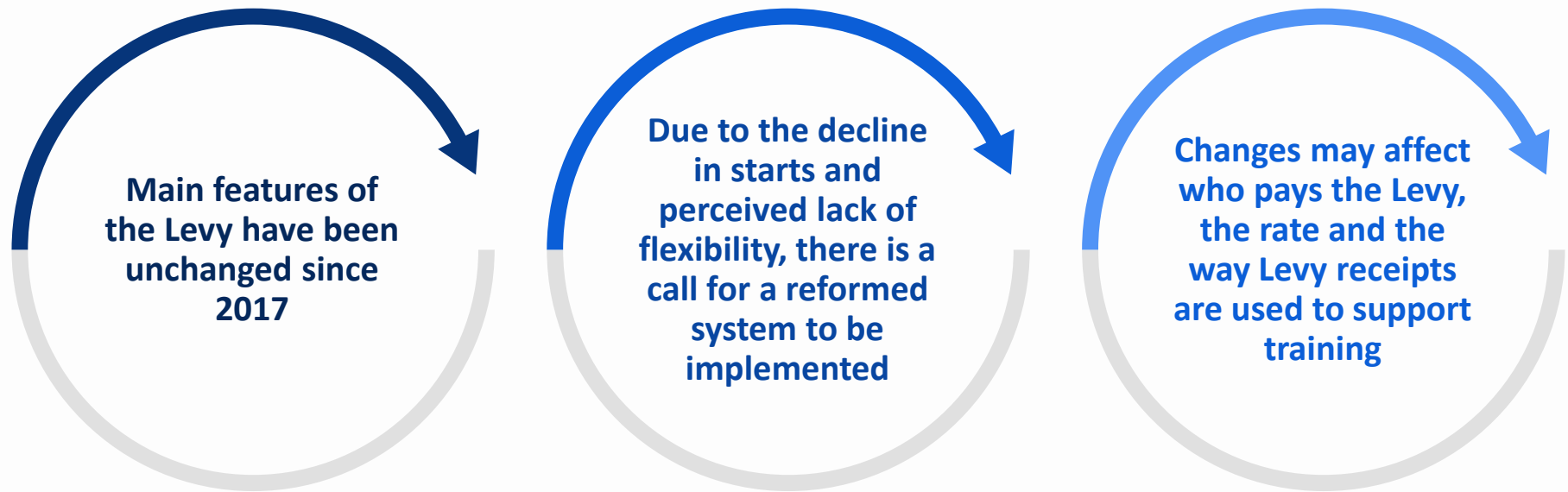
- In both Scotland and Wales there has been an increase in the number of starts in Construction and Health and Social care subject areas since 2014/15
- Starts in Retail, Business Administration and Personal Services saw a large decline in both Scotland and Wales



Where next for the Apprenticeship and training system?



Time to reform the system?



What happened to overall investment in adult skills?

ADULT EDUCATION BUDGET

- Total public spending on adult skills in England substantially declined over the last 15 to 20 years (with only a partial recovery since 2020/21) and stood at around £4.4 billion in 2022/23¹.
- Funding for FE adult education qualification courses (qualifications up to level 3) were particularly affected (£1.7bn in 2022/23 compared to £5bn in the early 2000s).
- The budget allocated to Advanced Learner Loans (covering adult FE learners undertaking courses at levels 3 to 6) was around £0.1bn.

COST OF DELIVERY

- Apprenticeship training attracts high funding levels, especially for levels 6&7 (around £22k), compared to £11k for both levels 4&5 and L3 and £8k for L2².
- Non-apprenticeship FE courses are generally shorter and attract lower levels of funding (e.g. £1,100 for L2 and £3,700 for L3³).⁴
- Shorter modules may provide a more efficient solution in some cases (especially if there is a component of certification of existing skills)?

¹ See [Adult education and skills | Institute for Fiscal Studies \(ifs.org.uk\)](https://ifs.org.uk/adult-education-and-skills)

² Based on median notional costs for Apprenticeship standards, <https://www.instituteforapprenticeships.org/apprenticeship-standards/>

³ Based on median notional costs for FE adult skills qualifications [Qualifications list with funding rates from 2024 to 2025](https://www.gov.uk/government/statistics/qualifications-list-with-funding-rates-from-2024-to-2025).

⁴ The average amount of Advanced Learner Loans was around £2,000 <https://www.gov.uk/government/statistics/advanced-learner-loans-paid-in-england-ay-202223-aug-to-apr/advanced-learner-loans-paid-in-england-academic-year-202223-august-to-april-inclusive> .

Case study – the NTF in Ireland



The diagram features a large blue circle on the left. Inside the circle, the text 'THE NATIONAL TRAINING FUND(NTF) REPUBLIC OF IRELAND' is written in bold, dark blue, uppercase letters. Four horizontal lines extend from the right side of the circle, each ending in a small dark blue dot. These lines connect the circle to four separate paragraphs of text on the right side of the slide.

THE NATIONAL TRAINING FUND(NTF) REPUBLIC OF IRELAND

The NTF was launched in 2000 to support training activities. Although the focus was originally on training people for employment, the fund now supports FE and HE programmes more broadly

The NTF is resourced by a levy on employers, which was originally set at 0.7% of earnings, and has risen over time to the current rate of 1%. It covers ca. 75% of all insured employees (but not the self-employed).

Funds raised are ring-fenced for training investment, but with no link to the contributing employer. The objective is to improve human capital and labour productivity and meet demand for skills.

In 2023 the NTF raised €1.02bn, increasing rapidly over time (from around €400m in 2017), in part – though not exclusively - due to the increase in the NTF rate of contribution.

Levy funding - example

Current funding system

The current system is based on a 0.5% rate on pay bills in excess of £3 million (thanks to a £15,000 allowance per year) and the Levy raised around £3.6bn in 2022/23 across the UK, but estimates* suggest that not all the amount raised has been spent on apprenticeship training

Below we provide some indication on how Levy receipts may change if the system were to be reformed

Note: figures are based on published information on total UK pay bill and number of employers at the aggregate level and should be considered as indicative only

* Source <https://feweek.co.uk/apprenticeship-levy-cash-cow/>

Description	Pay bill threshold	Levy rate	UK Employers affected	Total Levy raised (UK)	Additional Levy raised
Current system	£3m	0.5%	29,000 ¹	£3.6bn	-
Alternative scenarios:					
Removing the allowance ²	£0	0.5%	1,445,000 ¹	£5.2bn ³	£1.6bn
Doubling the rate ⁴	£3m	1%	29,000 ¹	£7.2bn	£3.6bn
Doubling the rate and removing the allowance ³	£0	1%	1,445,000 ¹	£10.4bn ³	£6.8bn

Note: Number in italics are estimates

¹ Based on an estimate of 2% of employers paying the Levy (<https://educationhub.blog.gov.uk/2023/03/10/how-are-apprenticeships-funded-and-what-is-the-apprenticeship-levy/>) and on total number of UK businesses with at least one employee (from 2023 UK Business Population Estimates <https://www.gov.uk/government/statistics/business-population-estimates-2023>)

² This would mean that the Levy is paid by all UK employers and charged also on the initial £3m of pay bill

³ Based on total UK payroll across all PAYE employers of around £1,050bn in the tax year 2022/23 (from Earnings and employment from Pay As You Earn Real Time Information UK: December 2023 [link](#)).

⁴ Assuming that the allowance is also doubled (to £30,000)

Rethinking the system to meet training priorities



1

CURRENT FUNDING SYSTEM

- Levy funds are tied to the employer paying the Levy and may only be spent on apprenticeship training.
- As a result, the majority of funds are spent by large employers in specific sectors on (typically) older workers and L4+ starts.

2

PROVIDING MORE FLEXIBILITY?

- Levy employers have asked to be provided more flexibility on how to spend the Levy, for example allowing 50% of funds to be spent on non-apprenticeship training

3

REDEFINING TRAINING PRIORITIES?

- Should funds raised by the Levy be made available to SMEs and to meet training priorities and tackle skills gaps?
- Or should a National Training Fund be set up to fund both apprenticeship training and adult skills more generally?

Potential options for reform - final remarks



OPTION 1 - MORE FLEXIBILITY

The scenario closer to the current system would leave unchanged the way the Levy is collected but **provide more flexibility to Levy employers** on how to spend the funds



OPTION 2 – TRAINING PRIORITIES

A second option would see a proportion of Levy funds made explicitly available also for **training undertaken by non-Levy employers** (e.g. SMEs) and identified **training priorities** (e.g. specific subject areas, learner profile)



OPTION 3 – NATIONAL TRAINING FUND

A more radical reform of the system would see the institution of a **National Training Fund** (potentially funded with a Levy paid by most employers), with funds raised ring-fenced on adult FE and Apprenticeship training (replacing the current Adult Education Budget).

London Economics' team

Alice Battiston, Senior Economic Consultant

abattiston@londecon.co.uk

Moritz Profanter, Economic Analyst

mprofanter@londecon.co.uk

Pietro Patrignani, Principal Consultant

ppatrignani@londecon.co.uk

Dr Gavan Conlon, Partner

gconlon@londecon.co.uk

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