



Employer Guide: Apprenticeship Levy study

February 2017

Research conducted by trendence UK



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Contents

Introduction	3
Report context and The Apprenticeship Lifecycle	4
Employer profile	6
How will employers use the levy?	8
Who are employers targeting?	10
Will graduate recruitment decrease?	12
Is there any sign of a shift to high-level apprenticeships?	14
Who will have responsibility for apprenticeships?	16
Is the apprenticeship brand a problem?	20
Are there sector differences?	24



Introduction

As this survey reveals, top employers have been galvanized by the imminent arrival of the Apprenticeship Levy to think how they can best use it. Very few appear willing to lose it. Some remain concerned at the perception of the apprenticeship brand but it is striking how many are approaching the levy not as a fiscal challenge but as a talent opportunity.

Many will use it to upskill their existing workforce. Others are developing apprenticeships specifically for a distinct demographic – career changers, the unemployed, returners and even the over 50s. Some have decided, after many years' experience, that apprentices are more committed, understand the business better and are more productive than other employees. So they plan to deploy the levy to greatly expand and deepen their apprenticeship proposition.

Contrary to recent reports, notably from the Institute for Fiscal Studies, our study finds that top employers at least are not planning to spend the levy on low-level training, rather the reverse. Their focus is overwhelmingly on developing high-level apprenticeships with significant career progression.

Challenges remain, not least how to implement apprenticeships in complex organisations and who has ownership of them. But as the early adopters in accountancy and banking have shown, apprenticeships have the potential to fundamentally alter the training landscape.

The reason that BPP exists is because traditionally universities did not understand the needs of the employer and we did. We understood 40 years ago that professional clients wanted students who had been given a practical education underpinned by rigorous, academic foundations.

That same applied, academic approach forms the bedrock for our apprenticeships. Our tutors understand business and the professions precisely because they have worked in business and the professions. This year BPP celebrated graduating our 100,000th alumnus since we became a university. I doubt we will have to wait another 40 years before we see our 100,000th apprentice qualify.

Carl Lygo
Chief Executive of BPP Holdings
Vice-Chancellor BPP University



Report context and The Apprenticeship Lifecycle



The genesis of this report lies in the aftermath of an earlier one commissioned by the Department for Education between March and June 2016. It asked 77 employers how they planned to respond to the introduction of the Apprenticeship Levy the following year. Its conclusion was revealing. It found that the majority of employers had yet to put in place “concrete plans for the use of their levy funds”.

Six months later and only two away from the introduction of the levy, BPP commissioned research specialists trendence UK to ask some of the leading and largest levy paying employers in the UK how their levy plans had crystallised. We asked them what strategies they had put in place, how they thought the levy would affect their operating model, recruitment strategies, candidate perceptions, talent pipeline and so on.

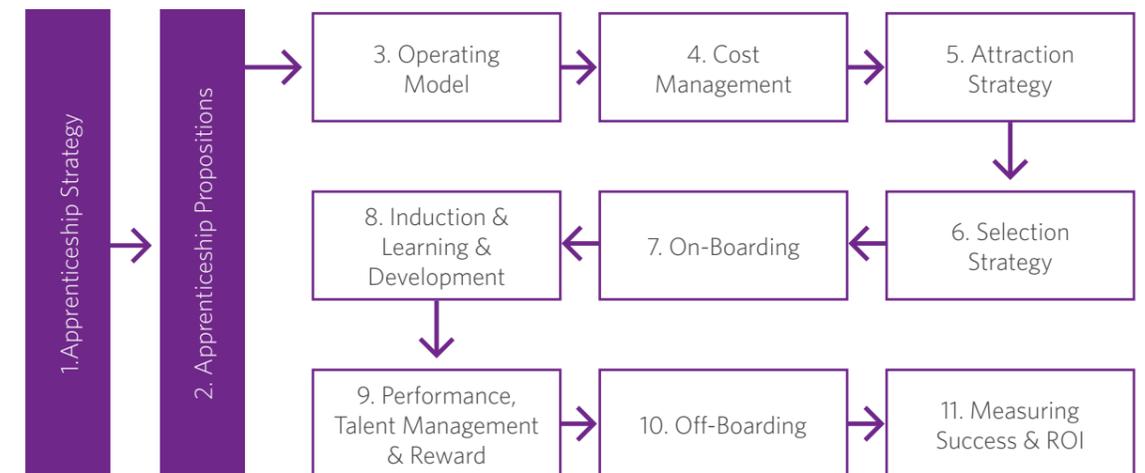
We can report that employers have significantly advanced their plans since the DfE report was published. 94% of respondents say they intend to use the levy, with only 6% indicating they will not. What is less clear, however, is how employers intend to implement their apprenticeship strategies and resulting programmes and who will own them.

In many respects that isn't surprising. The levy is new and has the potential to trigger a seismic change in the way companies recruit, develop and retain staff. It will be a challenge for everyone. So in order to help employers plan and implement the necessary programmes, BPP has recognised that they need to know how to use them operationally as much as strategically. Our Apprenticeship Lifecycle (see graphic opposite) helps employers consider how and when apprentices will need advice and support at every stage of their development.

Every employer, from SMEs to large corporates, from banks to law firms, can follow the steps in our Lifecycle to enable them to plan effectively. Choosing to invest in apprenticeships and deciding on the most appropriate is, after all, only the start of what could be a four, five or six-year journey. Companies will have to decide, for instance, how they will train apprentices, who will be responsible for them as they develop, and how they will be integrated into the business once their apprenticeship is over.

We hope that the findings in this report will give companies an insight into how they manage this complex process and how the UK's top employers are dealing with the many opportunities, as well as the challenges, presented by the Apprenticeship Levy.

Our Apprenticeship Lifecycle



Methodology

Research: conducted jointly by trendence UK and BPP

Sample: 100 top employers (from the Guardian UK 300)

Sectors: 12

Method: online questionnaire

Period: December 2016 to January 2017

Authors: David Palmer and Andreea Galin (trendence UK) and Emma O'Dell (BPP)

Levy Key Facts

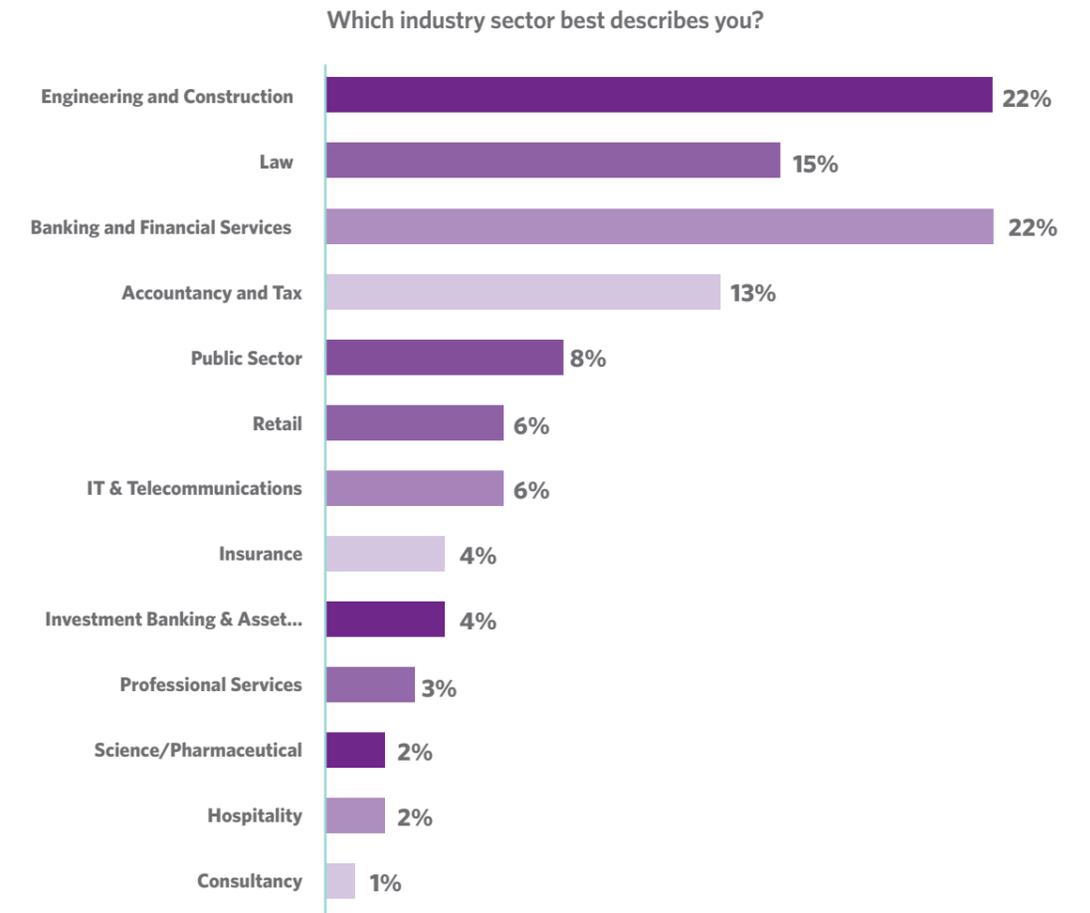
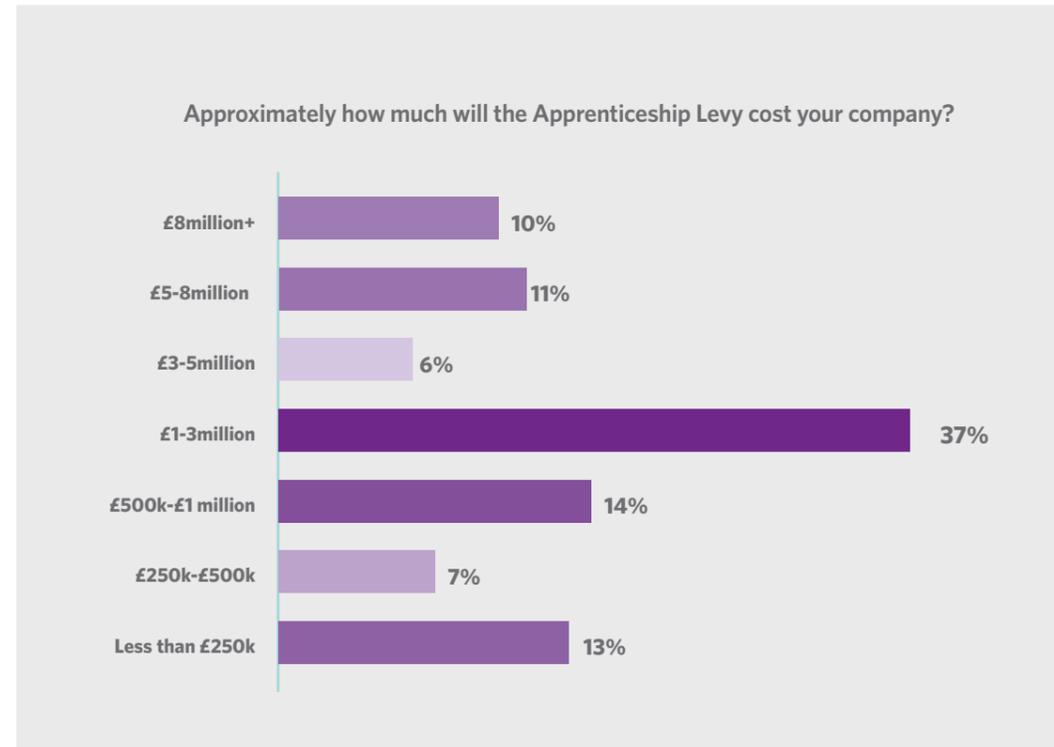
- The levy starts on 6 April 2017
- Employers with a wage bill greater than £3 million pay 0.5% of the total amount towards the levy
- They have 24 months in which to reclaim it on approved apprenticeships
- Apprenticeships must last for at least 12 months
- They must involve at least 20% off-the-job training
- The training must be new and relevant to the job

Employer profile

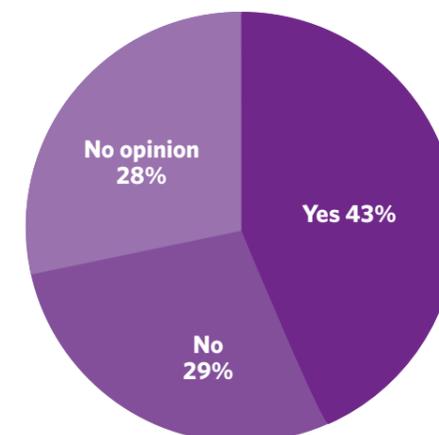
- A third of Guardian UK 300 top employers responded to this survey, with the majority working in banking and financial services (22%), engineering and construction (22%), accountancy (13%), law (15%), and public (8%) sectors.
- Almost two-thirds (64%) are looking at an annual levy of over £1 million, with a fifth (21%) of employers paying over £5 million and one in ten (10%) expecting to pay more than £8 million.
- An overwhelming proportion (94%) are planning to use the levy, with the few who do not, citing the lack of appropriate jobs for apprentices as the most common reason for not doing so.

- However, when asked personally if they were in favour of the levy, more than two-fifths (43%) of recruiters said they were, with roughly equal proportions against (29%) or expressing no opinion (28%).

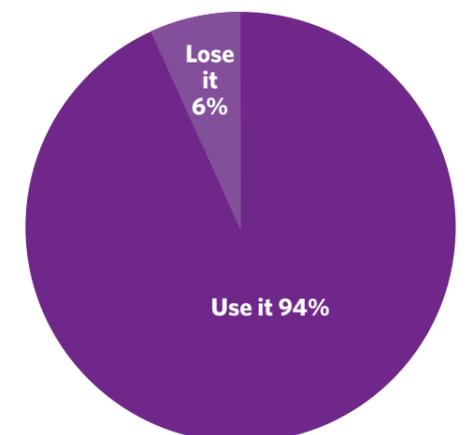
Analysis: The vast majority of top employers seem determined to use the levy, with very few opting to pay it as a 'tax', though support for it personally among recruiters is less emphatic. As this survey is restricted to top employers, however, we cannot infer that levy use among all UK employers would be as high.



Are you personally in favour of the levy?



Employers' response to the levy?

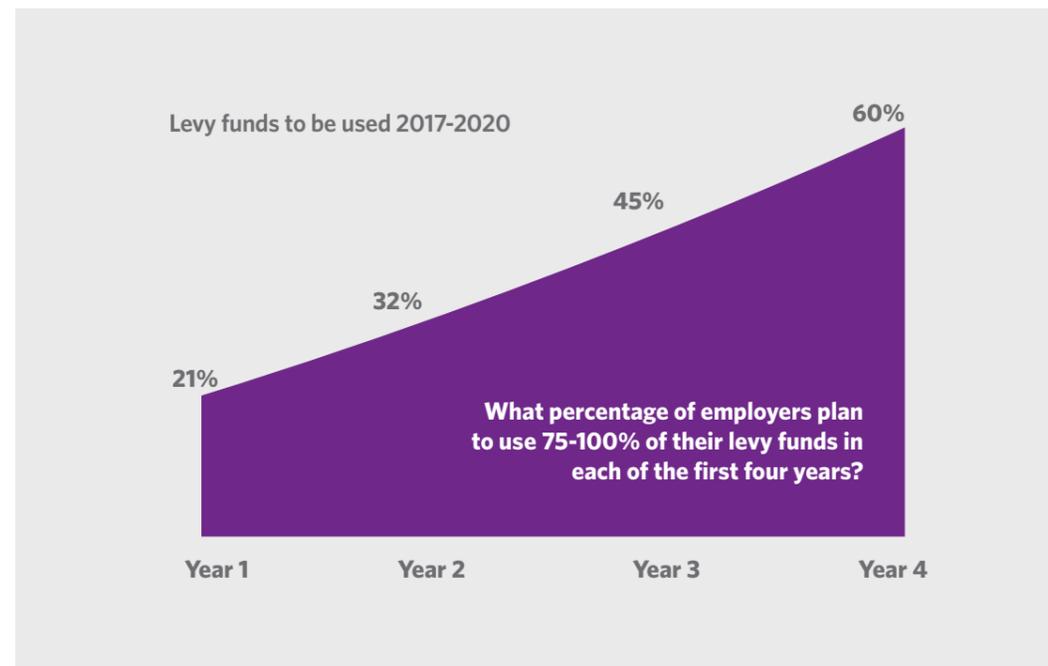


How will employers use the levy?

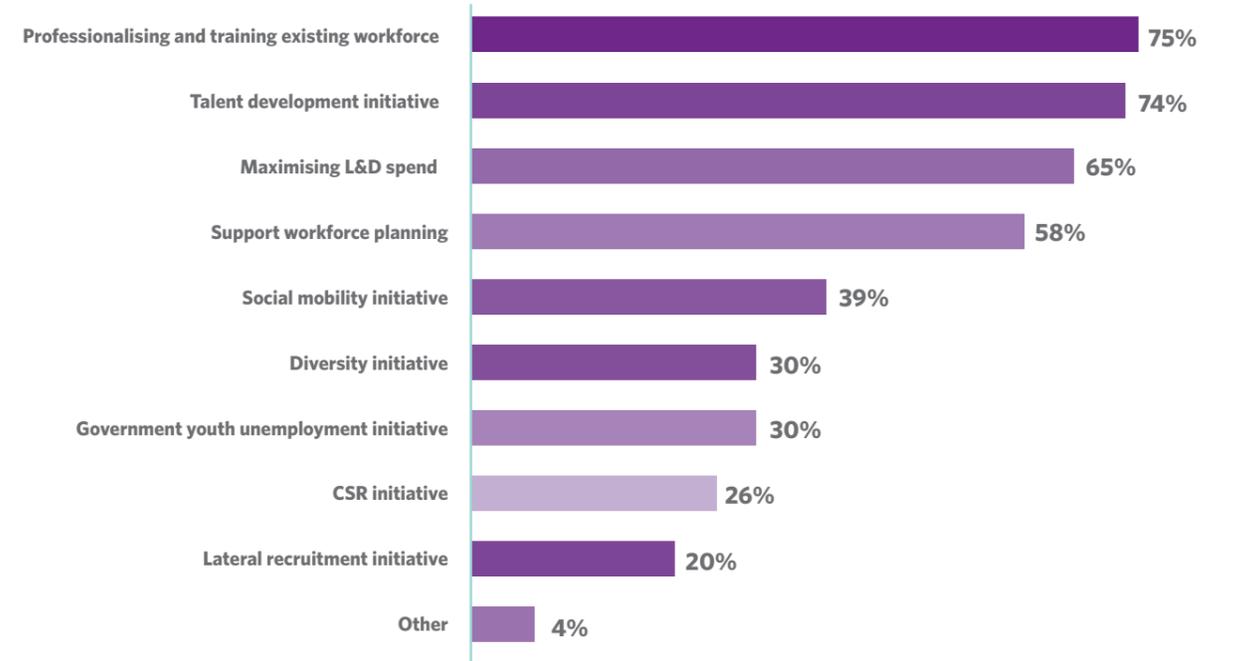
- Most recruiters see the levy as an opportunity to earmark funds to train existing staff as well as to bring in new talent. Three-quarters (75%) will use it to train existing staff and a similar proportion (74%) will use it to hire and develop more talent.
- However, large minorities will also use it to support diversity (30%), CSR (26%), government (30%) and social mobility (39%) initiatives.
- Most employers are planning to implement apprenticeship programmes gradually. Three-fifths (60%) aim to recoup most of the levy within four years, but barely a third (32%) think they will manage to use it fully in the allotted 24 months.

- Barely one in ten (9%) are planning to deploy specific programmes in the devolved nations, with a fifth (21%) deploying them in England only, and over a third (36%) adopting a UK-wide approach regardless. A significant minority (23%) has yet to settle on a strategy for the devolved nations.

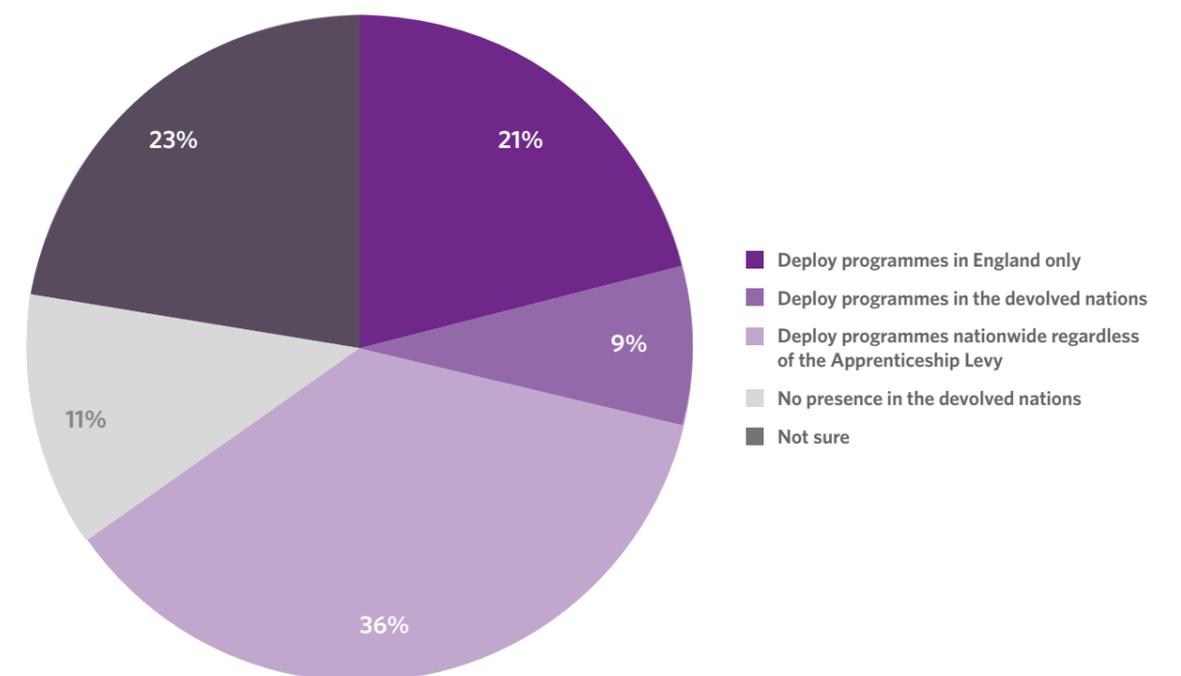
Analysis: Although the levy was designed by the government principally as a means of training young people in the workplace, employers are choosing to spend as much if not more of it on existing staff. Perhaps this isn't surprising given the desire of top employers to use rather than lose levy funds. Employers are also wisely taking a long-term approach and choosing to roll out programmes gradually, which again isn't surprising given the operational challenge of implementing them successfully.



Reasons to capitalise on the levy?



Companies with a levy of over £1 million

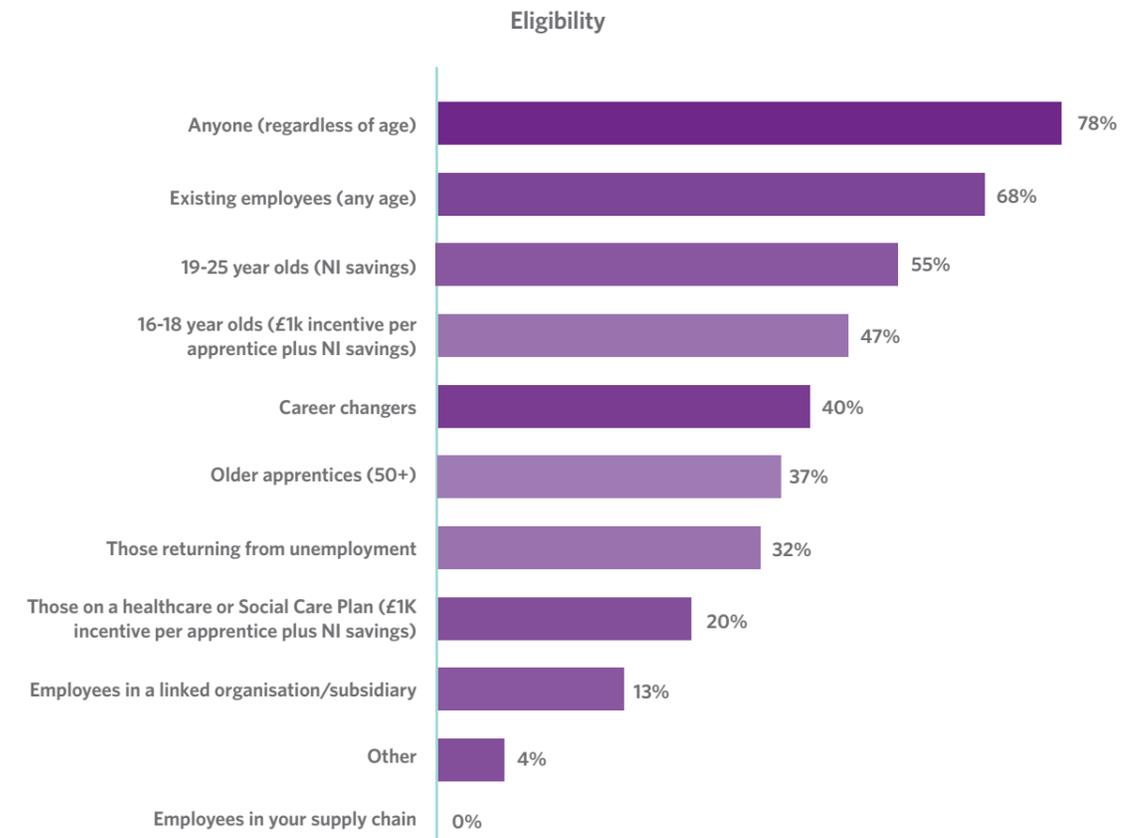


Who are employers targeting?

- More than three-quarters (78%) of employers say anyone will be considered for apprenticeships regardless of age.
- Over a third (37%) said their apprenticeships would be open to older applicants in the 50+ age group.
- Approximately half are specifically targeting youngsters: 19-25 year olds (55%) and 16-18 year olds (47%).

- Significant numbers of employers are designing programmes to cater for career changers (40%) and the unemployed (32%).

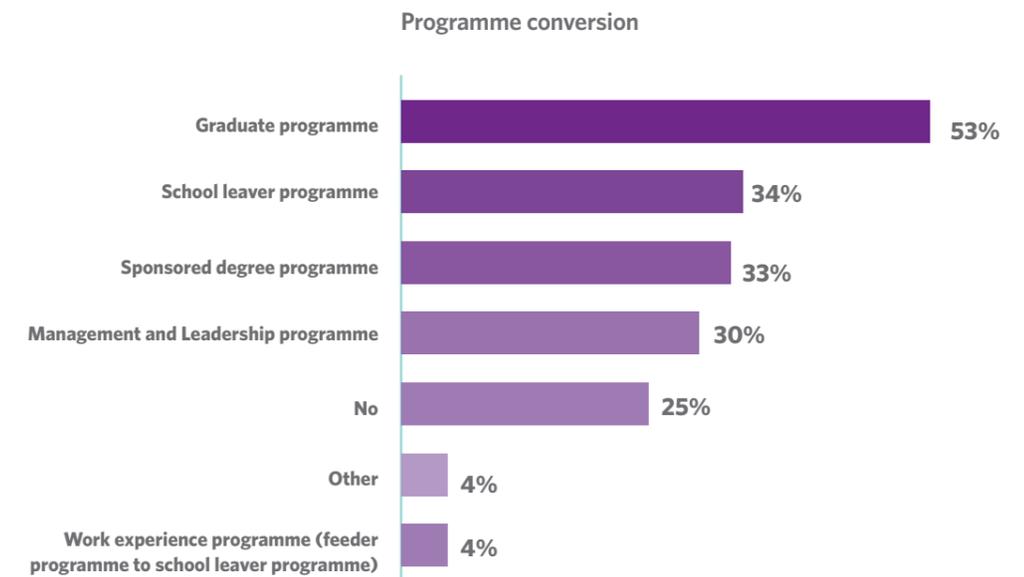
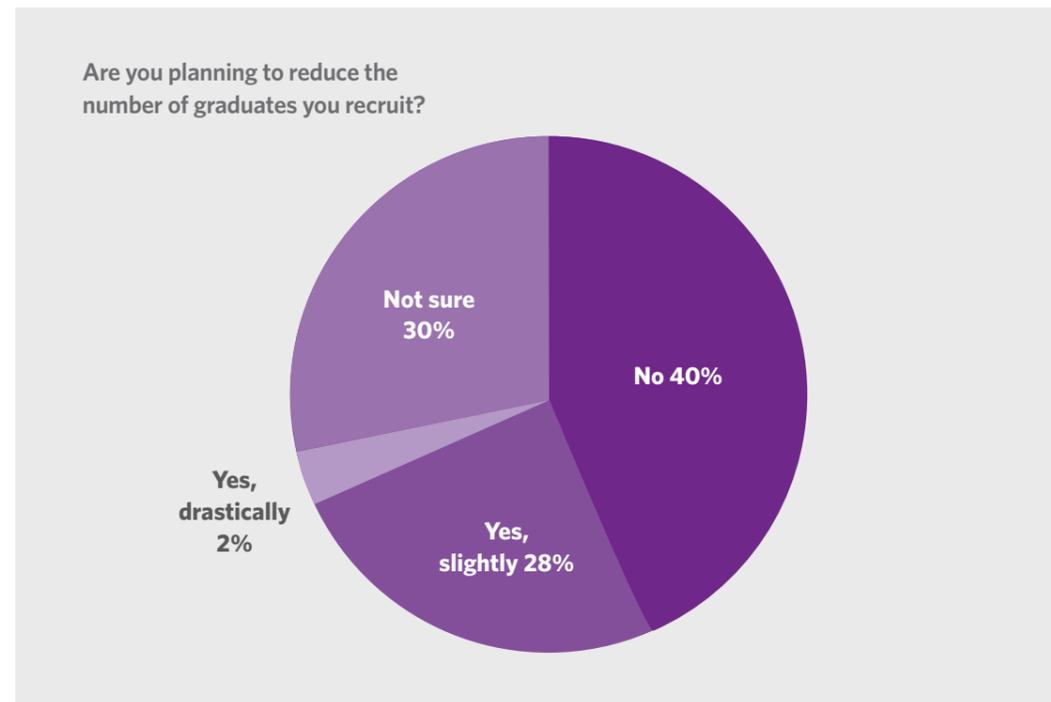
Analysis: Most employers are age-blind when it comes to thinking about their apprenticeship proposition. However, approximately half have programmes targeted at 16-25 year olds, which enjoy national insurance and other reliefs, and many are designing apprenticeships specifically for career changers and the unemployed.



Will graduate recruitment decrease?

- Less than a third of employers (31%) say they are planning to reduce the number of graduates as a result of apprenticeships, with the vast majority of them contemplating only a slight reduction.
- Two-fifths are (40%) ruling out any change, though large numbers (30%) are unsure of their strategy.
- However, over half (53%) say they will convert graduates into apprenticeship programmes, with a third (33%) doing the same for sponsored degrees.

- Almost a third of employers (30%) say they will also convert management and leadership programmes to apprenticeships.
- Analysis: Some employers are contemplating using apprenticeships to reduce the number of graduates they recruit, though very few are planning drastic reductions. Many more, however, can see the opportunity the levy presents to convert their existing graduate schemes into graduate-entry level apprenticeships.*

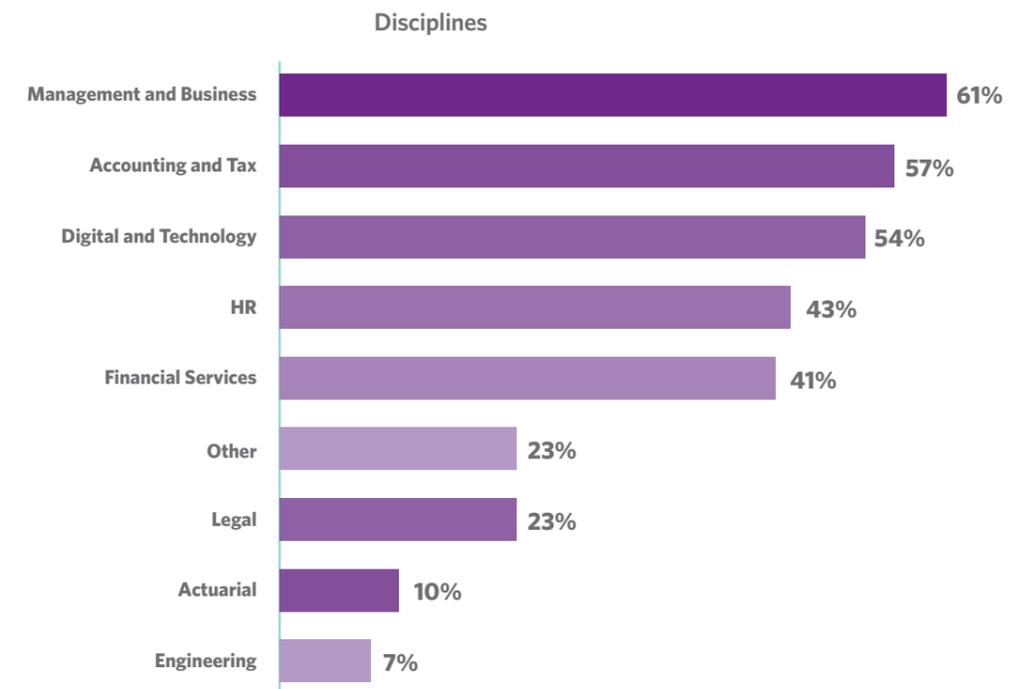
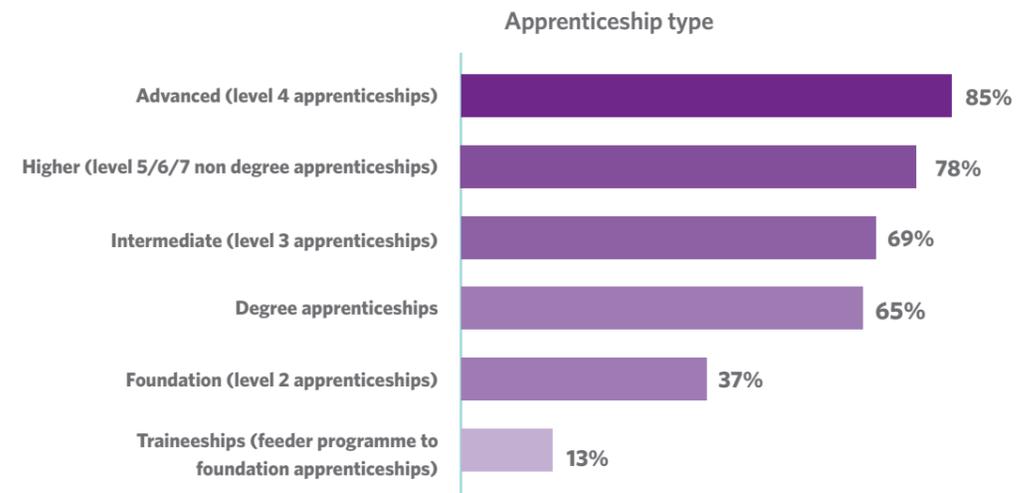


Is there any sign of a shift to high-level apprenticeships?

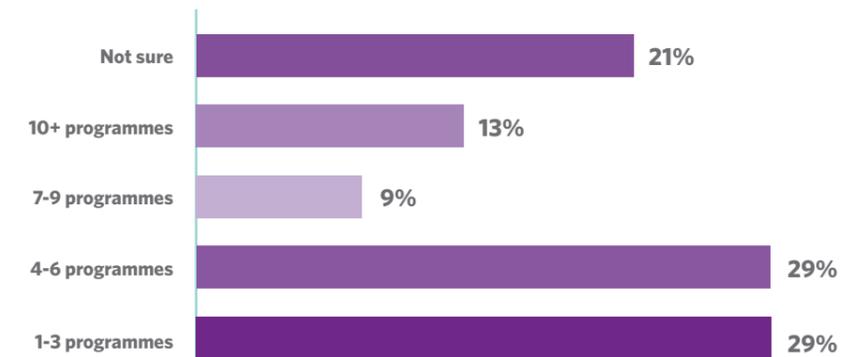
- Yes – almost two-thirds of employers (65%) are planning to offer degree apprenticeships. And more than three-quarters (78%) are considering higher level 5, 6 and 7 apprenticeships, such as chartered accountancy for instance, that do not involve a degree.
- At the other end of the scale, a few employers (13%) are also piloting government-funded traineeships for youngsters with few formal qualifications.
- Employers are planning to offer apprenticeships across a broad range of disciplines. The most popular are management and business (61%), accounting (57%), technology (54%), HR (43%), financial services (41%) and legal (23%).

- The majority of employers will cap the number of programmes they offer, with most (58%) planning between 1 and 6. A few (13%) are prepared to offer more than 10 and a minority (21%) has yet to decide if they will opt for a cap.

Analysis: Top employers are not contemplating using apprenticeships primarily for low-level training but on developing high-level apprenticeships with significant career progression. A large number of respondents are confidently predicting that they will put graduate and management trainees on apprenticeships, even though in most cases those programmes are still in their infancy.



Do you intend to cap the number of programmes you offer?



Who will have responsibility for apprenticeships?

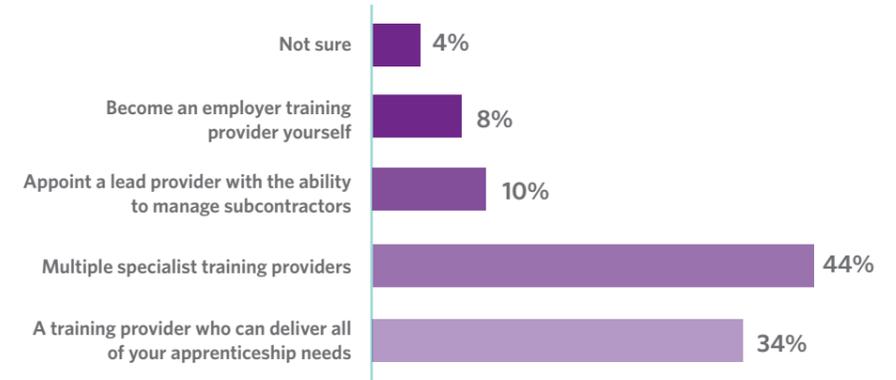
- Very few top employers (8%) are planning to train apprentices internally. The vast majority will rely on multiple (44%) or single (34%) external providers. Of those who will opt for multiple training providers, the most important considerations are industry experience (79%), range (77%), a bespoke offering (71%) and end-to-end consultation (71%).
- Only a third (35%) say their apprenticeship programme is driven at top executive level. But roughly even proportions say HR (54%), L&D (51%), early careers (42%) and all-business representatives (45%) are the drivers.
- Over half (56%) will manage apprentice recruitment in house, though a significant proportion (29%) plan to rely on a mixture of outsourcing and in-house strategies.

- There is no consistent approach to programme management with respondents allotting responsibility fairly evenly to the business as a whole (34%), specific apprenticeship teams (33%), L&D (33%) and early career (30%).
- Over a quarter of employers (27%) say that finance will manage the Digital Apprenticeship Service account rather than HR (51%)

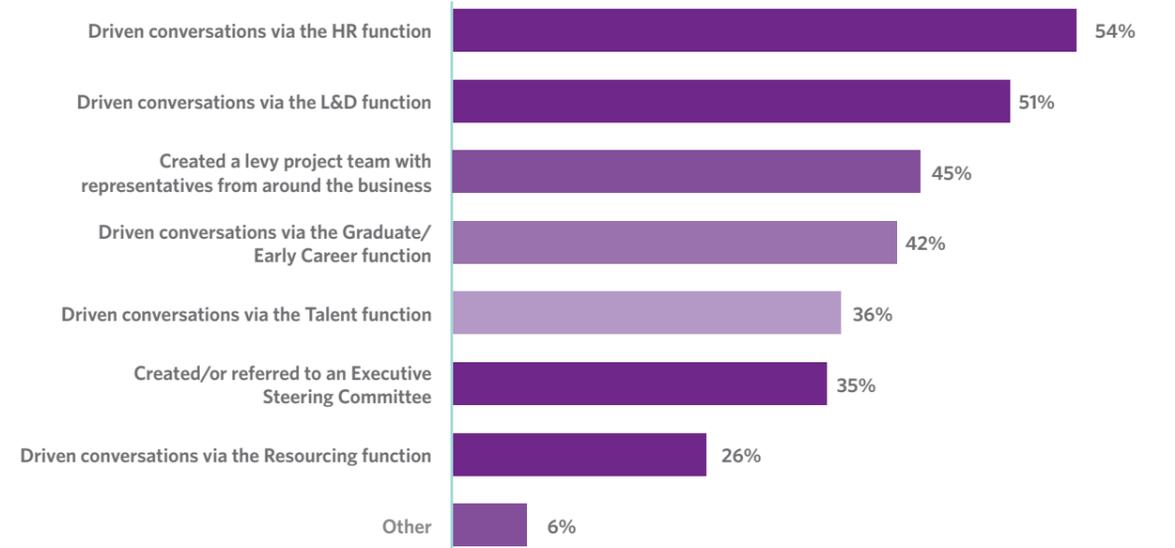
Analysis: It is clear that most top employers have chosen to outsource the bulk of apprenticeship training to external providers but kept responsibility for recruitment largely in house. What isn't so clear is who has overall responsibility for managing apprentices once they have been recruited. Moreover, the minority of employers who delegate the DAS account to their finance departments suggests that they regard the levy primarily as a cost to be managed rather than as a talent resource.



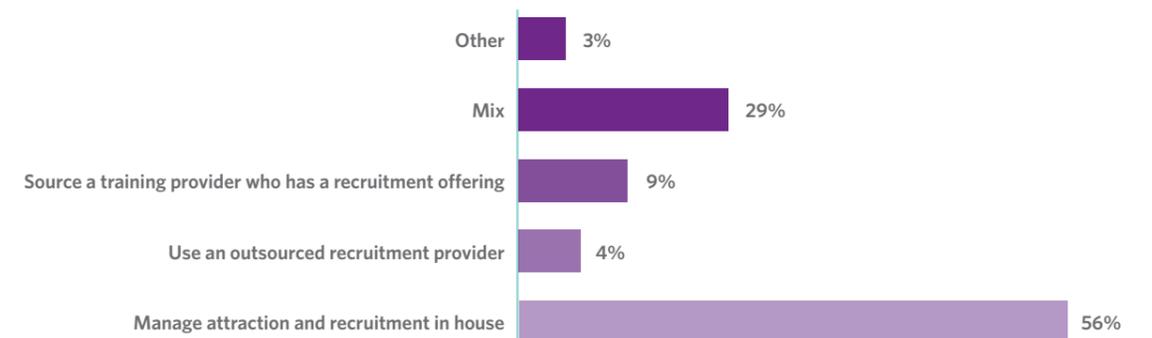
Who will be responsible for training your new apprentices?



Levy challenges

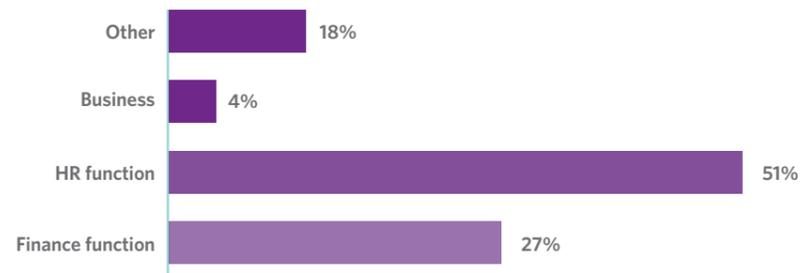


How will you attract and recruit apprentices year on year?

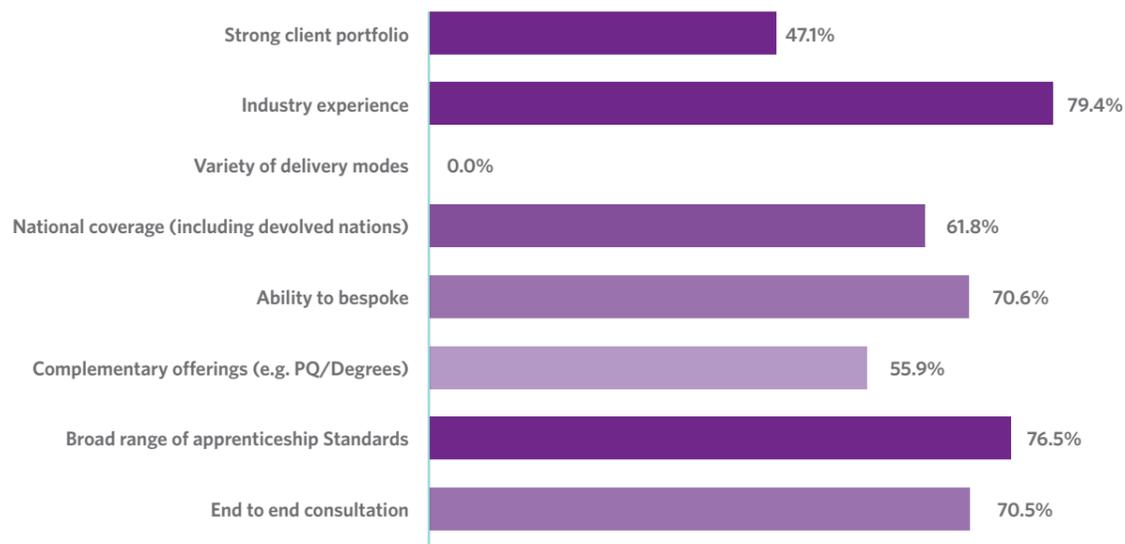




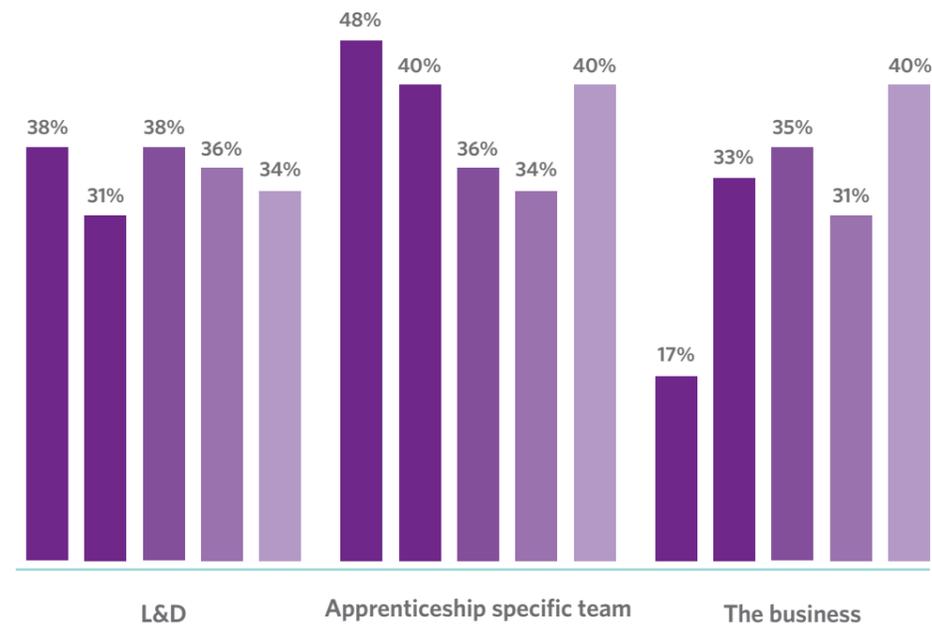
Who internally will be responsible for managing your online Digital Apprenticeship Service (DAS) account and resulting levy cash flow?



Companies looking for multiple training providers



Responsibility for managing apprentices



Is the apprenticeship brand a problem?

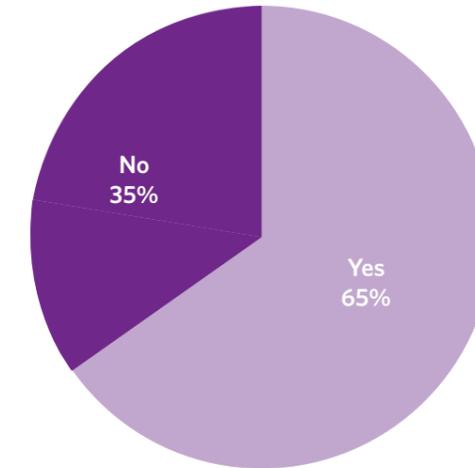
- Up to a point – almost three-fifths of employers (58%) says they will rename it internally or avoid it in recruitment campaigns. But over a third (36%) aim to embrace the brand and three-quarters (75%) say it will prompt them to devise a wider talent proposition.
- Only one in ten top employers (9%) will pay apprentices the minimum wage, with a quarter (26%) planning to pay them the higher living wage and one in five (20%) prepared to pay them a performance-related bonus.
- Many respondents (46%) say the requirement to provide apprentices with 20% off-the-job training is a challenge to their business.

- However, a large majority (86%) says that gaining management buy-in would mitigate that challenge. And even more (91%) say the prospect of improved retention and reduced attrition would be a significant ROI.

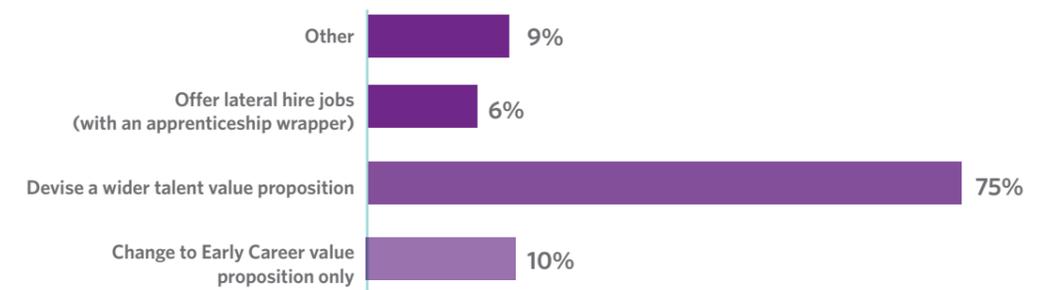
Analysis: The apprenticeship brand is clearly still a problem for some employers, who fear it will not attract the calibre of candidate they wish to recruit. However, the fact that a third have chosen to embrace it and educate their audience plus the large numbers planning to offer graduate-level and high-level apprenticeships suggests that nervousness over the brand could soon become a thing of the past.



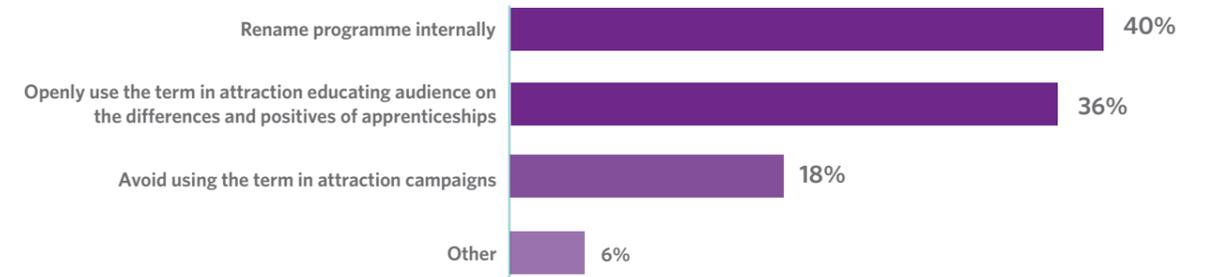
Do you think that the 'apprenticeship brand' will affect your employee value proposition when using it for graduates and internal staff?



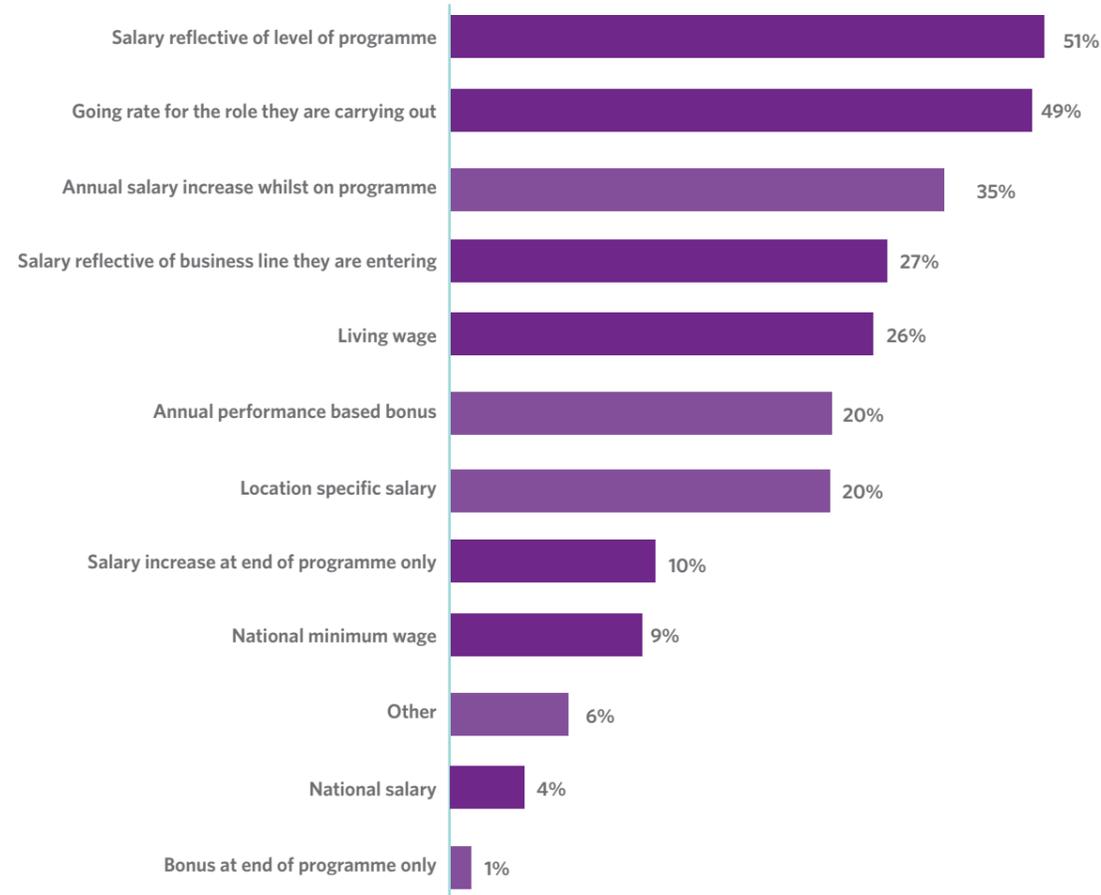
How will your employee value proposition adapt to accommodate the apprenticeships?



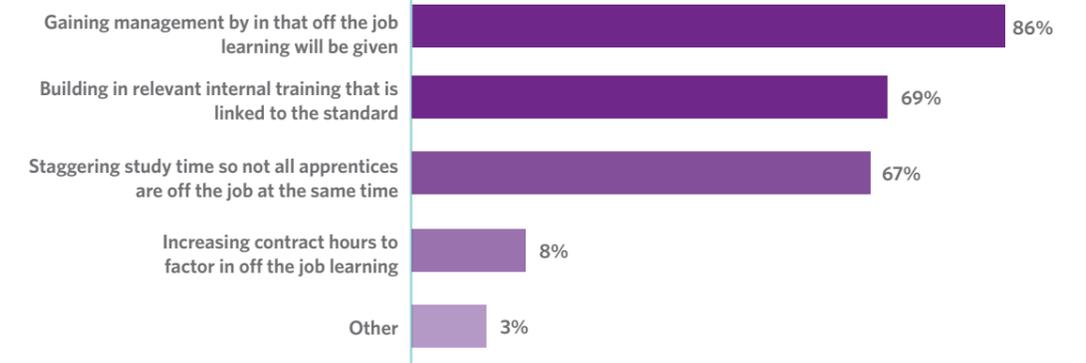
Overcoming the apprenticeship 'brand'



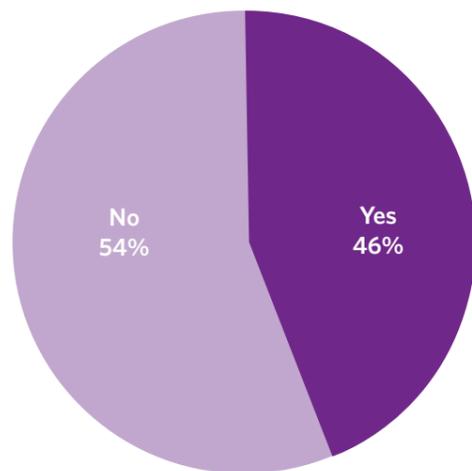
Compensating apprentices



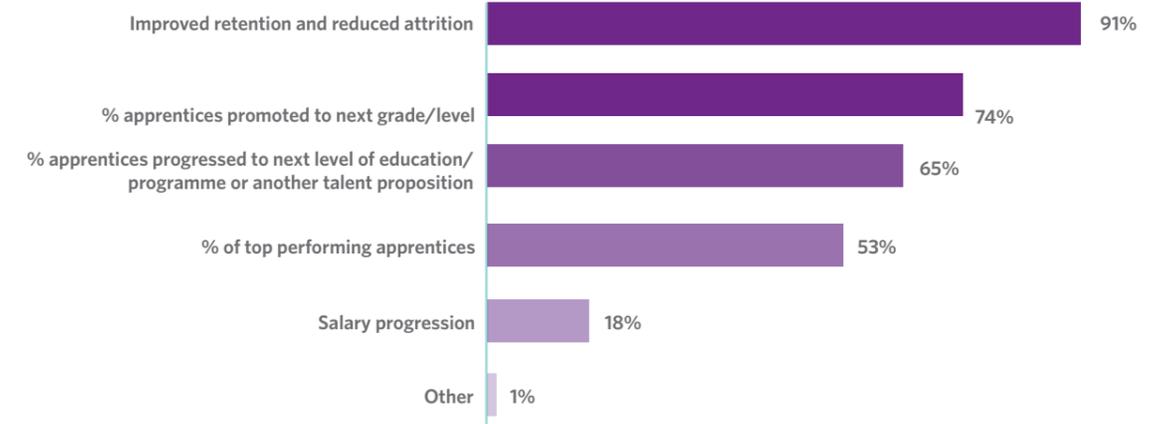
Parameters to mitigate challenges



The SFA also states that employers must provide apprentices with 20% off the job training. Do you see this as a challenge at your organisation?



Talent ROI



Are there key sector differences?

Yes. Initial analysis by sector shows marked differences in the way employers in different industries are planning to use their levy and operationalise their resulting programmes. Industry sectors where these differences are most prevalent include; Financial Services (including Banking and Financial Services, Investment Banking and Asset Management and Insurance); Law; Professional Services (including Professional Services, Accountancy and Tax and Consultancy) and the Public sector.

Analysis: A full analysis of differences for these key sectors will be published by BPP at the end of February followed by some supporting case studies with large employers sharing the approach they are taking to the levy.



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We enjoy a trusted advisor status for many of our clients and institutes and offer professionals opportunities to progress through a variety of qualifications in actuarial, accountancy and tax, banking and finance, business, management and leadership, HR and technology.

If you have been tasked with considering your businesses' strategy for apprenticeships, or advice is needed on the operationalisation of your programmes across the full apprenticeship lifecycle, then we can help. We can support you by reviewing your whole business talent strategy (graduates, apprentices and internal talent/development schemes) with a view to designing new, interconnected propositions.

Contact us on:

☎ 03300 291 737

✉ corporate@bpp.com

🌐 employers.bpp.com

For more information about apprenticeships, follow us on Twitter **@BPPProfApps** or like us on Facebook:

www.facebook.com/BPPProfApps

For more information about trendence UK Research, contact:

David Palmer, UK Research Manager trendence UK

Email: **David.Palmer@trendence.com**

Call: **+44 (0)20 7061 1911**

Web: **www.trendence.com/en**