



SUPPLEMENTARY TECHNICAL  
DATA REPORT

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In partnership with

City  
Guilds  **ncfe.**

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# 1. Introduction

As part of The St Martin's Group, City & Guilds and NCFE's comprehensive review into the benefits of apprenticeships to both businesses and individuals in the UK, the Centre of Economics and Business Research (Cebr) was commissioned to conduct extensive market research and analysis.

The key findings from this research have been analysed and reported in The St Martin's Group report, *'The real costs and benefits of apprenticeships'*. Given the extensive nature of Cebr's research, only the most pertinent findings were included in the formal report however, to uphold The St Martin's Group commitment to transparency and knowledge sharing, the full data sets can be found in this supplementary technical data report.

Note, all data in this supplementary report has been extracted from Cebr analysis which was conducted for The St Martin's Group.

## 2. The real costs of employing an apprentice

During their initial training stages, apprentices' output tends to surpass their associated costs, with additional benefits for employers stemming from government subsidies and incentive programmes.

In the following section, we seek to quantify the net benefit of employing an apprentice in the 2020/2021 academic year. In the event that apprentices remain at the employer beyond their qualification, as with the majority of cases<sup>1</sup>, there would be further accrual of net benefits from a business perspective.

When solely considering the net benefits of apprenticeships during the training period, we utilise the below formula:

$$\begin{aligned} \text{Employer gain} = & \\ & \text{apprentice output} + \text{apprentice subsidies} \\ & - (\text{apprentice wages} + \text{apprentice training costs} + \text{other expenses}) \end{aligned}$$

That is, the benefit to an employer from hiring an apprentice is the value of the economic output produced by an apprentice, plus any subsidies received, less wages and training costs.

### Structure of section

By definition, apprentices are less productive than their more qualified colleagues, given that they are currently undertaking the training processes to become a more skilled worker. Nevertheless, apprentices are often still able to contribute a reasonable level of economic output even at the very beginning of their employment. Furthermore, with productivity increasing over the course of the training programme, apprentices are able to narrow the output gap between themselves and more experienced colleagues.

In order to provide a quantitative estimate of apprentices' productive contribution and net benefit, we draw upon the following sources:

- Annual Business Survey (ABS) - we utilise the ratio between gross value added and labour costs to provide an estimate for the scale of economic activity supported by employment in particular industries.
- Annual Survey of Hours and Earnings (ASHE) - we look at earnings rates across the UK and constituent regions. We further consider wage rates within industries that broadly align with Sector Subject Areas for apprenticeships.
- Apprenticeship Pay Survey - we scale up the results of the 2018/2019 Apprenticeship Pay Survey to produce a nowcast estimate of wages in 2020/2021.

<sup>1</sup> The Department for Education's 2017 Apprenticeship Evaluation showed that 65% of employers providing apprenticeships retained all of their apprentices beyond their training period.

- Apprenticeship Evaluation - we consider the reported breakdown of apprentices' time between usual work activities, off-the-job training and on-the-job training.

The individual components of the productive contribution and net benefit calculations are as follows and are discussed in turn:

- Ratio of gross value added (GVA) to employment costs
- Wages
- On-the-job training costs
- Off-the-job training costs
- Subsidies
- Further expenses

## Ratio of GVA to employment costs

We begin by analysing the ratio between gross value added and employment costs across each of the UK's main industries, as defined by Standard Industrial Classification. This allows us to obtain an estimate for the scale of economic output supported by labour activity in each industry. The higher the ratio, the more economic output is produced per pound of employment costs, mainly consisting of wages and national insurance contributions.

This ratio is found to range widely amongst industries. For instance, in education, the ratio of GVA to labour costs stood at just 0.69 in 2018, meaning GVA is exceeded by employment costs. At the other end of the scale, the GVA to employment costs ratio is highest in mining and quarrying, standing at 4.36 in 2018. In terms of the industries with directly comparable apprenticeship standards, the highest GVA to employment ratio is seen in construction, with a value of 2.42 in 2018.

## Wages

There is significant cross-industry and cross-occupation variation in wage rates within the UK labour market. Further variation is witnessed on a geographical basis, with wages tending to be higher in London and the South East and lowest across the North of England and in Northern Ireland. Such variation is also observed in apprentices' pay rates, differing across apprenticeship standards and in different regions of the country. The following subsection will quantify pay levels for the average apprentice, while drawing out these key sources of variation.

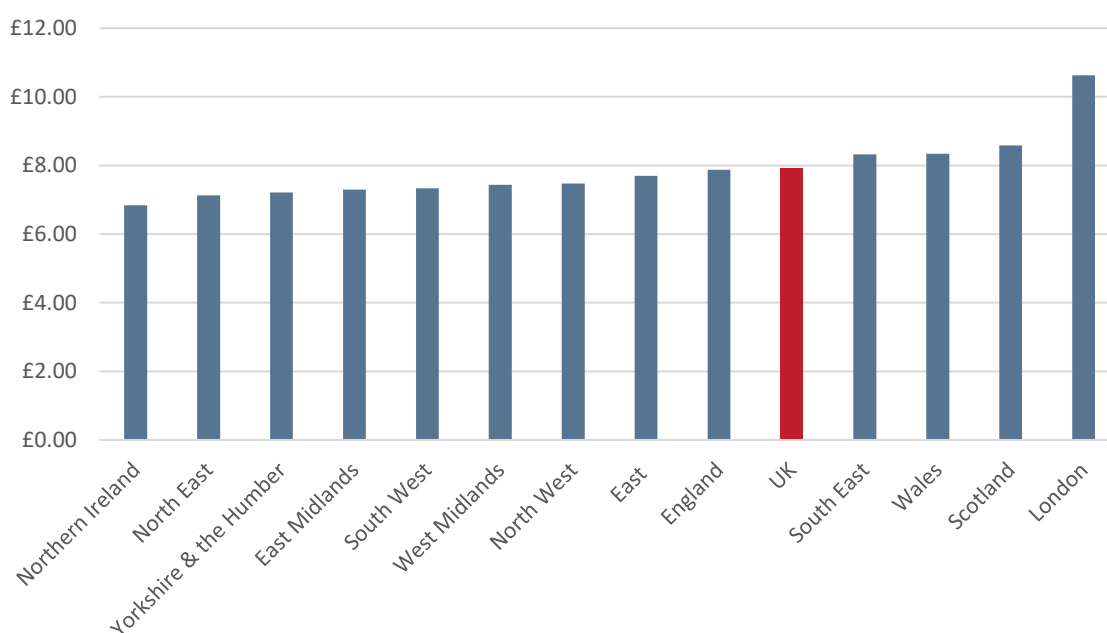
According to the 2018/2019 Apprenticeship Pay Survey, the hourly basic pay rate for the average apprentice in Great Britain was £7.70. Taking into account labour market-wide wage growth since then, while also producing an estimate for apprentices pay in Northern Ireland, we estimate that average basic pay for apprentices in the UK stands at £7.93 in 2020/2021. As with the wider labour market, there is significant variation across different occupational areas. Our estimates suggest that hourly basic pay for apprentices is lowest for those on the hair and beauty route, standing at £4.49 in 2020/2021. This is just above the current minimum wage for apprentices of £4.30 per hour.<sup>2</sup> At the other end of the spectrum, wages are highest on the business and administration route, encompassing some particularly high paying standards, such as those in management. Apprentices on this route earned an estimated £9.55 per hour in 2020/2021.

We can draw upon geographical differences in wage rates across the UK to produce estimates for pay rates for the average apprentice in each region. Such analysis suggests that apprentices in London benefit from the highest wages, with an estimated hourly rate of £10.63 in 2020/2021, while those in Northern Ireland are paid the least, at an average hourly rate of £6.84. Looking at each individual nation, wages are estimated to be highest in Scotland, amounting to £8.59 per hour for the average Scottish apprentice. The equivalent figures for England and Wales amount to £7.88 and £8.34, respectively. Scotland and Wales' high wage rates are based on survey data from the most recent Apprenticeship Pay Survey, wherein both the mean and median pay rates outstripped those of England.

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<sup>2</sup> UK Government - National Minimum Wage and National Living Wage rates

Figure 1: Estimated average hourly pay rate for apprentices by region, 2020/2021



Source: Cebr analysis, Apprenticeship Pay Survey 2018-2019

The Apprenticeship Pay Survey also provides data on average working hours for apprentices. These figures showed that the average apprentice worked 40.7 hours per week, including both their contracted and overtime hours. This figure includes on-the-job and off-the-job training time, during which employers are required to pay apprentices at the same rate as their usual work activities.

Based on these figures, we can estimate apprentices' annual wage costs. For the average apprentice, this amounts to just under £16,800 per year. Again, there is some variation across apprenticeship routes, with those in hair and beauty earning an average of £9,200, while those in business and administration make just under £21,000.

We also need to consider employers' National Insurance Contributions (NICs) as a further source of employment costs. Recent legislation dictates that employers are exempt from paying Class 1 NICs on apprentices' earnings, so long as the apprentice is under 25 and earning below £43,000 a year. Given the average annual pay rates outlined above, many apprentices do not exceed this earnings threshold. Nevertheless, NICs for apprentices over 25 must be factored in to give an accurate estimate for overall employment costs for apprentices. Any subsequent mention of NICs for apprentices is done so under the assumption that this only applies to those over 25.

Taking into account our estimate of the average apprentices' annual earnings, the current 13.8 per cent rate for NICs, as well as the current NIC-free earnings threshold of £8,840, the typical apprentice over the age of 25 attracts employers' NICs of just under £1,100. This takes the total employment cost for apprentices over 25 to around £17,900. Weighing employment costs based on the age distribution of apprentices, we estimate that the expected annual employment costs associated with the typical apprentice in 2020/2021 stands at £17,300.

## Training costs

A number of factors contribute to apprentices' overall training costs. In order to quantify the monetary value of training costs, we need to consider not only the costs of 'off-the-job' training, but also the indirect costs associated with learning on the job, such as the opportunity cost of supervising apprentices. We will consider both of these training types, taking into account differences between apprenticeship routes, types of employer, and funding bands.

## On-the-job training costs

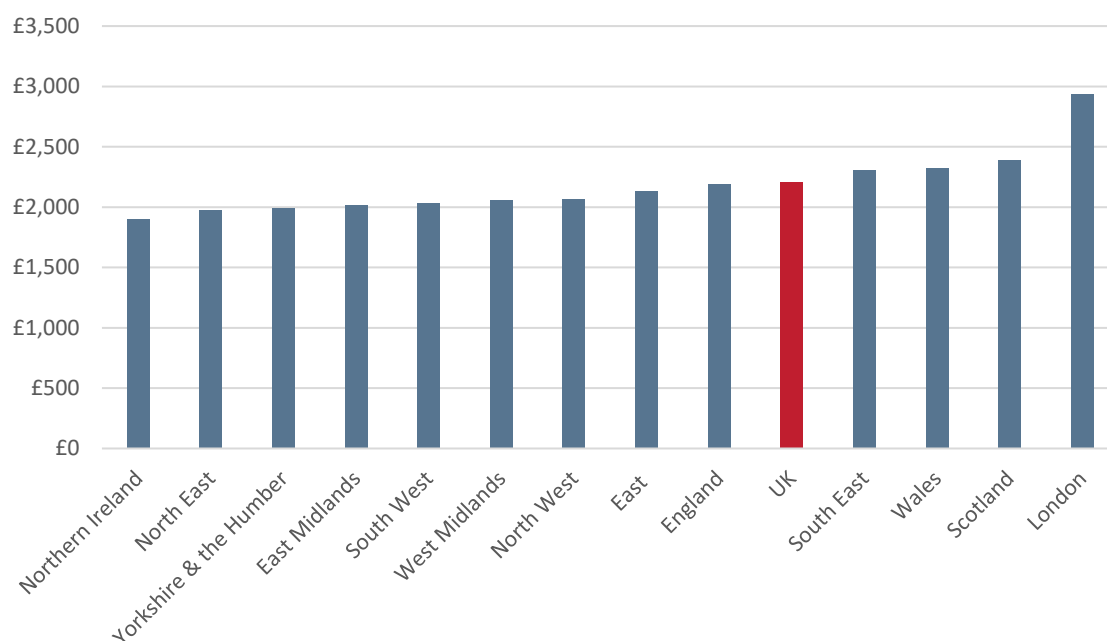
In addition to apprentices' wages, we ought also to consider those of other staff members, who may be taken away from their usual responsibilities in order to monitor, train, and appraise an apprentice. In the following

section, we seek to quantify these costs using our estimates of apprentices' wages, as well as data on wages for more senior employees across different industries.

Based on the 2018/2019 Apprentice Evaluation, the average apprentice receives 5.2 hours of on-the-job training per week. There is again some considerable variation amongst apprenticeship routes, ranging from just 2.5 hours per week for apprentices in education and childcare to 9.3 hours per week for those in construction.

Factoring in our analysis of apprentices' pay, the annual value of apprentices' wages and National Insurance Contributions during on-the-job training stands at an estimated £2,200. This represents the UK-wide average figure, with geographical variation observed in line with that identified for overall wages. There is also some considerable sectoral variation, with the lowest costs being witnessed in hair and beauty, at less than £900 per year, and the highest being in construction, at £3,800.

Figure 2: Estimated wage and National Insurance costs for average apprentice during on-the-job training, by region or nation, 2020/2021



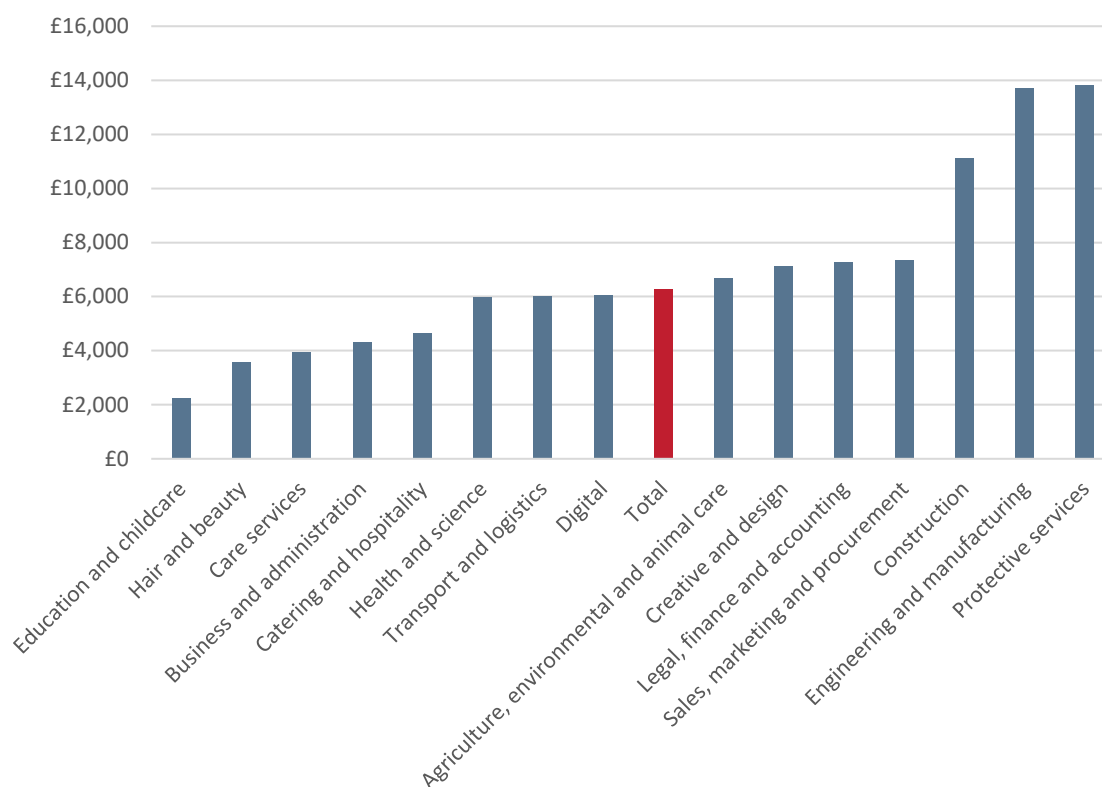
Source: Cebr analysis

To obtain an overall estimate of the labour costs associated with on-the-job training, we need also to consider the wages of those tasked with monitoring apprentices. We here consider average wage rates amongst employees in industries aligning with apprenticeship routes, scaling these up in accordance with the above data on apprentices' time resourcing. These wages rates are found to be highest in engineering and manufacturing, at an estimated £20.83 per hour, and lowest in hair and beauty, at £8.19 per hour.<sup>3</sup> In terms of aggregate costs over the course of a year, education and childcare is the least costly route, with wages and NI contributions of approximately £1,400 being provided to those supervising apprentices. The top ranked route is protective services, entailing annual costs of £10,300. These differences in rankings between hourly wage rates and annual cost estimates arise due to differing numbers of on-the-job training hours for apprentices.

Taking the estimates of both apprentices' and supervisors' wages together yields an overall estimate for the labour costs associated with on-the-job training. The annual cost for 2020/2021 is estimated at £6,300 for the average apprentice across the UK. On a geographical basis, this cost ranges from £5,400 in Northern Ireland to £8,500 in London. In terms of apprentice routes, this figure is lowest in education and childcare, at £2,300, and highest in protective services, at £13,800.

<sup>3</sup> Annual Survey of Hours and Earnings, Cebr analysis

Figure 3: Annual on-the-job training costs, 2020/2021, by apprenticeship route



Source: Cebr analysis

### Off-the-job training costs

'Off-the-job training' represents another key component of apprentices' learning. This is an important aspect to consider since it affects both the costs associated with delivering apprenticeships as well as the extent to which government funding is provided. For instance, apprentices are required to spend at least 20 per cent of their working hours on 'off-the-job' training in order for their employer to be eligible for the funding associated with their apprenticeship.

The 2018-2019 Apprenticeship Evaluation revealed some non-compliance with the 20 per cent requirement in terms of the reported breakdown of apprentices' hours. While the typical apprentice on the construction, digital, health and science, and engineering and manufacturing routes did meet the minimum 20 per cent off-the-job training requirement, other routes fell short. This was most stark amongst apprentices on the education and childcare route, for whom off-the-job training accounted for just 10.8 per cent of their working hours. These figures corroborate well with data from an employer's perspective, where about a third (33.0 per cent) of respondents reported that their organisation does not understand which activities count towards the 20 per cent off-the-job requirement.<sup>4</sup> Similarly, just 32.2 per cent of learners reported that they were aware of the minimum 20 per cent requirement.<sup>5</sup>

Given that the latest data on the breakdown of apprentices' hours relates to 2018/2019, and the 20 per cent requirement was only implemented in 2017<sup>6</sup>, non-compliance could be attributed to employers and apprentices not yet being accustomed to the new system. In estimating apprentices' off-the-job training costs in 2020/2021, we assume that this knowledge gap has been closed, and that the average apprentice on any given apprenticeship route either meets or exceeds the 20 per cent hours requirement.

<sup>4</sup> Apprenticeship Evaluation, 2018//19, Employer Survey

<sup>5</sup> Apprenticeship Evaluation, 2018//19, Employer Survey

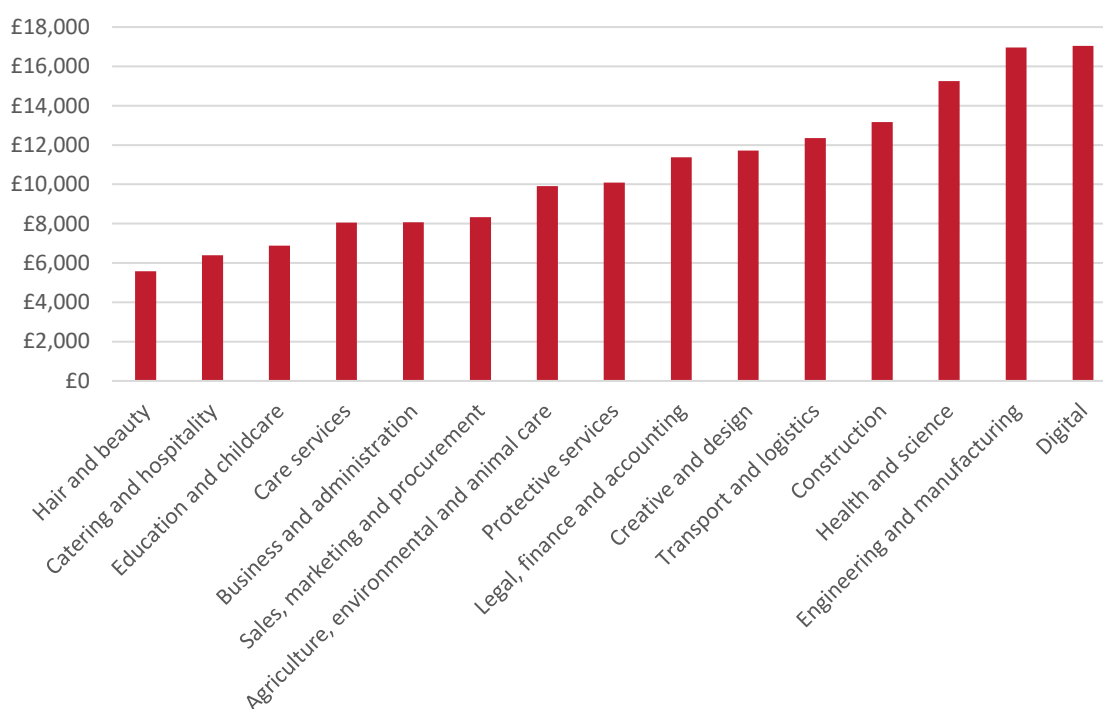
<sup>6</sup> Education & Skills Funding Agency (ESFA)

The way in which off-the-job training is funded varies considerably across the UK's constituent nations. Since the system in England is the most complex, analysis will initially be focused here, before a discussion of the training costs across the other nations.

### Off-the-job training costs – England

In breaking down the costs of off-the-job training programmes in England, it is important to first note the divergence between different apprenticeship routes. Each individual apprenticeship standard attracts a different level of maximum government funding, referred to here as the funding cap. This cap ranges from just £2,500 for such standards as business fire safety advisor and HM forces serviceperson, to £27,000 for a range of standards, including aerospace engineers, town planners, and solicitors. Considering the broader apprenticeship routes, the average maximum funding band is highest in digital, amounting to roughly £17,000, and lowest in Hair and Beauty, at approximately £5,900. Meanwhile, the average funding cap stands at approximately £13,500. As such, costs in providing training vary widely depending on their sector and the subject area of the apprentice.

Figure 4: Average maximum funding band for apprenticeship standards in 2020/2021, by apprenticeship route



Source: Education & Skills Funding Agency

The extent to which these costs are absorbed by the employer depends on their business size. This acts as a further source of divergence in training costs between apprentices. For the majority of employers, the cost burden amounts to just 5 per cent of the off-the-job training costs, in the form of a co-investment fee. The remaining cost, up to the funding band maximum, is covered by the Government. This yields an average annual employer contribution towards training costs of just £300 for non-levy paying employers.

For employers with an annual payroll in excess of £3 million, that is, levy paying employers, off-the-job training costs are funded differently. Such employers are liable to pay 0.5 per cent of their annual payroll costs towards the levy. These funds are then ringfenced into an individual funding account, which is then subject to a 10 per cent government top-up. From this account, funds can be withdrawn for the sole purpose of providing off-the-job training for apprentices. The employer is then faced with a choice of whether to actually use these funds to deliver apprenticeships or to simply forego the funds. In this sense, a business's contribution to the levy can be seen as indirectly funding training programmes for future apprentices at that same business.

The main narrative on this point is that the apprenticeship levy is an unavoidable cost for businesses liable to pay it. They can, however, reduce the effective burden of this cost by choosing to use the funds to deliver apprenticeships. All else being equal, this should act as an incentive for such employers to deliver apprenticeships. In the event that the employer maximises the use of their levy funds, we estimate a per



apprentice off-the-job training cost of £5,400 per year. This estimate is obtained by introducing the concept of the effective levy burden and is outlined in detail on page 16.

### *Summary of off-the-job training costs in England*

Based on the breakdown between the number of apprenticeships provided by levy payers and non-levy payers, and the above estimates for costs borne by these respective groups, we estimate that the average apprenticeship yields off-the-job course costs of £3,300. On top of this, businesses face a further cost from funding apprentices' wages for time spent off the job. This amounts to just under £3,100 for the average apprentice, with this figure holding across both levy payers and non-levy payers.<sup>7</sup> Considering both of these cost sources, the average apprenticeship yields off-the-job training costs of £6,300.

### *Off-the-job training costs in the devolved nations*

There are different arrangements in place across the devolved nations with regards to funding off-the-job training. Much of this variation surrounds the extent to which training costs are provided by parties external to the employer.

#### *Wales*

In Wales, most of the training course fees are covered by the Welsh Government, with the occasional contribution being made by the training provider.<sup>8</sup> This means that employers of apprentices are not liable for any off-the-job training fees. They are still required to pay apprentices' wages for time spent off-the-job, however.

#### *Northern Ireland*

In Northern Ireland, funding arrangements differ depending on the age of the apprentice. The Northern Ireland Department of Education covers all off-the-job course fees for apprentices aged 16 to 24.<sup>9</sup>

Meanwhile, those over the age of 25 are only able to undertake apprenticeships in occupational areas identified as economically important in Northern Ireland. These courses then attract 50 per cent funding from the Department of Education, with the remainder falling on the employer.<sup>10</sup> This acts as a clear disincentive for Northern Irish businesses to hire apprentices over the age of 25, as evidenced by the fact that this age group accounted for just 11.1 per cent of apprenticeship starts between 2012 and 2020.<sup>11</sup>

Taking into account the subset of apprenticeships available to over 25s in Northern Ireland and the associated funding levels, we estimate that such apprenticeships result in a cost burden of around £7,100 to the employer. Applying this to the above figure on the proportion of all apprenticeships accounted for by over 25s, we find that the expected employer-borne training cost for the average apprentice in Northern Ireland is just under £1,600. Splitting this figure over the expected length of the programme yields annual training costs of £680 for the typical apprenticeship.

#### *Scotland*

As in Northern Ireland, the degree to which employers are liable for training costs in Scotland is also dependent on the age of the apprentice. There are also other demographic factors to consider, with certain categories of individuals able to claim enhanced levels of funding.

Skills Development Scotland provides funding to training providers for the purposes of delivering apprenticeships, with varying funding levels available for different apprenticeship routes. The structure of this funding also varies amongst age groups. For those aged 16 to 19, the funding provided to the training provider is generally exhaustive for the purposes of delivering the off-the-job training, and thus requires little to no additional contribution from the employer. Funding levels diminish amongst older age groups, leaving employers to make up the shortfall. For instance, for apprentices completing a Level 6 qualification in business and administration, funding of £2,700 is provided if they are aged 16 to 19. This funding is reduced to £1,200 for apprentices aged 20 to 24 and to just £1,000 for those aged 25 and over, meaning employers bear costs of

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<sup>7</sup> Note that this value is already captured within the annual wage estimates in a preceding section. When calculating the final net benefits, this is excluded to avoid double counting.

<sup>8</sup> Welsh Government - Apprenticeships. A Genius Decision. A Guide for Employers.

<sup>9</sup> NIBusinessInfo

<sup>10</sup> Ibid.

<sup>11</sup> ApprenticeshipsNI

£1,500 in the former and £1,700 in the latter case. Though the scale of the decrease amongst age groups varies across apprenticeship frameworks and occupational groupings, this serves as a useful illustration of how funding levels taper with age.

There are several further caveats to the apprenticeship funding system in Scotland. Apprentices aged 25 and over only attract funding for a specific subset of apprenticeship frameworks, only being applicable to candidates working in prescribed sectors. Moreover, there are enhanced funding rates provided to candidates meeting certain criteria - for instance, those with care experience or a disability - meaning that funding is provided at the maximum rate regardless of age. As such, in these cases, employers are not required to make up any funding shortfall and thus, in practice, face no off-the-job training costs other than wages.

A further source of complexity stems from the Scotland's output-based funding system. Under this arrangement, funds for apprentices' training are provided upon completion of certain targets. Importantly, a portion of funds are withheld until the apprentice completes their program. In the case of those age 16 to 19 and those eligible for enhanced funding, between 25 per cent and 40 per cent is withheld until completion. This figure is increased to 50 per cent for older age cohorts ineligible for enhanced funding. As such, training providers can miss out on funds if there is attrition from the apprenticeship program, meaning completion rates must be considered when calculating the expected value of funds provided.

Combining this divergence in policy, the funding levels for each respective framework, the apprenticeship completion rate, and the proportion of Scottish apprentices falling into each funding band, we estimate that the average apprenticeship in Scotland attracts off-the-job training costs for which the employer is liable of just over £1,000. Spreading this cost over the length of the typical apprenticeship, annual training costs amount to just under £450.

### *Summary of off-the-job training*

Having established estimates for training costs borne by employers in each nation, we can now produce a figure for the average UK-wide apprentice. This calculation is based upon the proportion of total apprentices found in each nation, with the overwhelming share being in England. With the estimates for employer-borne training costs for England, Scotland, Wales, and Northern Ireland being £3,300, £450, £0, and £680, respectively, we estimate the UK-wide equivalent to be just over £2,900. Adding the cost of wages for time spent off the job, the average apprentice in the UK brings annual off-the-job training costs of around £6,000.<sup>12</sup>

## **Subsidies**

The landscape for apprenticeship subsidies differs considerably amongst the UK's constituent nations, both in terms of the applicability of subsidies as well as their monetary value. As such, we will consider the different policies in place in each nation in turn, seeking to arrive at a country-specific estimate for the value of subsidies for the average apprenticeship.

### *England*

Firstly, in England, a long-standing policy has been that of a £1,000 grant to businesses taking on apprentices if they meet certain criteria. Such payments would be made in two equal instalments and provided for each apprentice falling into any of the following categories:

- The apprentice is aged 16 to 18
- The apprentice is aged 19 to 24 and has previously been in care
- The apprentice is aged 19 to 24 and has an education, health and care plan provided by their local authority.

Using figures on the demographics of apprenticeship participants from the Apprenticeship Evaluation, as well as data from the Department for Education on care leavers, we estimate that just over a quarter of apprentices in England meet any of these conditions.

New policy developments have also been introduced in an attempt to incentivise apprenticeship delivery in the wake of the Covid-19 pandemic. Such measures include two new categories of apprenticeship grants. Employers will receive £3,000 for any new apprentices joining their organisation between April and September 2021, regardless of age or other demographic characteristics. Employers are also able to access a backdated grant for any apprentices that joined the organisation between August 2020 and March 2021, to the value of £2,000 for apprentices aged 16 to 24 and £1,500 for those aged 25 and over. These grants will come in addition

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<sup>12</sup> Note that this value is already captured within the annual wage estimates in a preceding section. When calculating the final net benefits, this is excluded to avoid double counting.

to the £1,000 grant for apprentices under the age of 18 and those formerly in care. The following tables provide a breakdown of the grants available to apprentices falling in different demographic categories.

Table 1: Grants available for apprentices with care experience, England, 2020/2021 academic year

	16 to 18	19 to 24	25+
Started apprenticeship between 1 <sup>st</sup> August 2020 and 31 <sup>st</sup> March 2021	£3,000	£3,000	£1,500
Started apprenticeship between 1 <sup>st</sup> April and 30 <sup>th</sup> September 2021	£4,000	£4,000	£3,000

Table 2: Grants available for apprentices without care experience, England, 2020/2021 academic year

	16 to 18	19 to 24	25+
Started apprenticeship between 1 <sup>st</sup> August 2020 and 31 <sup>st</sup> March 2021	£3,000	£2,000	£1,500
Started apprenticeship between 1 <sup>st</sup> April and 30 <sup>th</sup> September 2021	£4,000	£3,000	£3,000

Drawing on data on apprentices' ages and starting month in each academic year, we can estimate the expected value of grants provided to the employer for the average apprentice in 2020/2021. The expected value for the new, Covid-19-related incentive payments falls just short of £2,100, while that of the longstanding grant for young apprentices and care leavers stands at around £250. As such, the expected value of grants for the average apprentice starting in the 2020/2021 academic year stands at approximately £2,350.

It ought to be noted that the value of these grants is spread over the duration of the apprenticeship. Therefore, in calculating an expected value for grants received exclusively in the 2020/2021 academic year, we need to factor in the expected completion period for apprenticeships. This varies amongst different apprenticeship routes, with the average completion period for those on the hair and beauty route being just 15.5 months, while that of construction is more than twice that at 33.3 months. Across all routes, the average apprenticeship lasts for 27.6 months. As such, the value of grants received in 2020/2021 for apprentices starting in that same year is approximately £1,000.

## Wales

A number of different subsidies are available to employers hiring apprentices in Wales. As in England, the value of these subsidies is dependent upon apprentice's demographic characteristics.

Subsidies for apprentices in Wales can largely be divided into four categories:

- 1) Incentive payment for employing those aged 16 to 24
- 2) Incentive payment for employing those aged 25 and over
- 3) Reemployment of redundant apprentices
- 4) Incentive payment for employing disabled people.

The range of subsidies has been widened in 2020/2021 in order to encourage employers to hire more apprentices in the wake of the pandemic, as well as to meet the Welsh Government's goal of "*supporting the development of a workforce that is able to meet changing business needs*".<sup>13</sup>

For apprentices falling under Category 1, a subsidy of £4,000 is provided if the apprentice is contracted for at least 30 hours per week. This falls to £2,000 if the contract of employment is under 30 hours per week.

Grants are slightly smaller in value for apprentices aged 25 and over, that is, those falling under Category 2. If the apprentice is contracted for at least 30 hours per week, employers are able to receive a subsidy of £2,000. The equivalent payment for apprentices contracted for fewer than 30 hours is £1,000. It is important to note that both the Category 1 and Category 2 subsidies only apply to completely new apprentices, as opposed to those previously made redundant.

In order to particularly support apprentices who have seen their training disrupted as a result of the Covid-19 pandemic and associated business uncertainty, another grant is open to those employing previously redundant apprentices. If an employer takes on a previously redundant apprentice for more than 30 hours per week, they are able to receive a subsidy of £2,600. This falls to £1,300 if the apprentice is hired for fewer than 30 hours per week. The value of subsidies for redundant apprentices applies irrespective of the apprentices' age. Given that

<sup>13</sup> Welsh Government - Skills Gateway

the redundancy payment values exceed those offered for hiring new apprentices aged 25 and over, this acts as an incentive for employers to rehire apprentices falling in this age category.

The fourth category covers apprentices with disabilities. £1,500 is offered to employers for hiring an apprentice with a disability, irrespective of their age. This payment also comes in addition to any payments for which the employer is eligible based on apprentices' age or redundancy status.

Table 3 breaks down the value of subsidies for apprentices meeting different combinations of criteria, as well as the estimated proportion of apprentices eligible for each subsidy. Using the combination of the subsidy value in each scenario and the proportion of apprentices meeting each criteria, we can obtain an expected value for the subsidies provided for the average apprentice in Wales. We find that this stands at just under £2,600 in 2020/2021. Spreading this cost over the typical length of an apprenticeship yields an annual value of £1,100.

Table 3: Subsidy values for Welsh apprentices meeting particular criteria, 2020/2021

Scenario	Under 25	More than 30 hours	Disability	Previous redundancy	Subsidy value	Estimated proportion of apprentices meeting criteria <sup>14</sup>
A	X	✓	X	X	£2,000	46.1%
B	✓	✓	X	X	£4,000	27.7%
C	X	X	X	X	£1,000	8.9%
D	✓	X	X	X	£2,000	5.3%
E	X	✓	✓	X	£3,500	3.3%
F	X	✓	X	✓	£2,600	2.2%
G	✓	✓	✓	X	£5,500	2.0%
H	✓	✓	X	✓	£2,600	1.3%
I	X	X	✓	X	£2,500	0.6%
J	X	X	X	✓	£1,300	0.4%
K	✓	X	✓	X	£3,500	0.4%
L	✓	X	X	✓	£1,300	0.3%
M	X	✓	✓	✓	£4,100	0.2%
N	✓	✓	✓	✓	£4,100	0.1%
O	X	X	✓	✓	£2,800	0.0%
P	✓	X	✓	✓	£2,800	0.0%

Source: Welsh Government, Cebr analysis

### Northern Ireland

Northern Ireland has similarly acted to widen the scope of its apprenticeship subsidies in light of the Covid-19 pandemic. For any new apprentices hired between 1<sup>st</sup> April 2020 and 31<sup>st</sup> March 2021, employers will benefit from a grant of £3,000.

Incentives have also been offered to assist apprentices whose training may have been put at risk due to the pandemic and associated uncertainty. Employers in Northern Ireland can access £3,700 for every apprentice they bring back from furlough and retain until they have completed their apprenticeship.

Employers are also offered a grant of £875 once an apprentice completes their course. Factoring in the apprenticeship completion rate and the proportion of apprentices to have returned from furlough, we estimate that the value of grants for the average apprentice in Northern Ireland stands at £3,600. Spreading this cost over the expected duration of an apprenticeship, employers can benefit from an expected £1,600 per academic year.

<sup>14</sup> Note that figures do not sum to 100% due to some apprentices' characteristics being unknown.

## Scotland

Scotland has also offered incentives for employers to take on apprentices via the new Apprenticeship Employer Grant. This can be used to take on an entirely new member of staff or to upskill an existing employee, though the grants only apply between 1<sup>st</sup> December 2020 and 25<sup>th</sup> March 2021. The structure of the grant is as follows:

- £5,000 provided for employers taking on or upskilling a 16- to 24-year-old apprentice
- £5,000 provided for employers taking on or upskilling an apprentice aged up to 29 years, if they are disabled, care leavers, or minority ethnic
- £3,500 for employers taking on or upskilling an apprentice aged 25 plus.

A further scheme provides support for apprentices who have been made redundant as a result of the pandemic. The Adopt an Apprentice scheme offers £5,000 to businesses taking on a previously redundant apprentice.

Following a similar methodology to that outlined for Wales, we estimate that the average apprentice in Scotland attracts grants of £2,800. This estimate factors in the above schemes, as well as the fact that some apprentices will be hired outside of the respective schemes' eligibility windows. This means that some apprentices did not qualify for any additional grants or subsidies. Considering the average length of an apprenticeship, the estimated annual value of grants stands at £1,200 in Scotland.

## Subsidies summary

Factoring in the proportion of total apprentices found in each nation, we can produce an estimate for the expected value of subsidies for the average UK apprentice. With the annual subsidy values standing at £1,000, £1,100, £1,600, and £1,200 for England, Wales, Northern Ireland, and Scotland, respectively, the UK-wide figure stands just above £1,000.

## Productive contribution

Having established the wage rates granted to apprentices and their supervisors and the time divide between usual work and the different types of training, we can form an estimate for apprentices' productive contribution over a typical year. This is found by taking an employee's labour costs and multiplying by the GVA to employment costs ratio, while also considering the fact that apprentices' productivity falls short of a fully-trained employee.

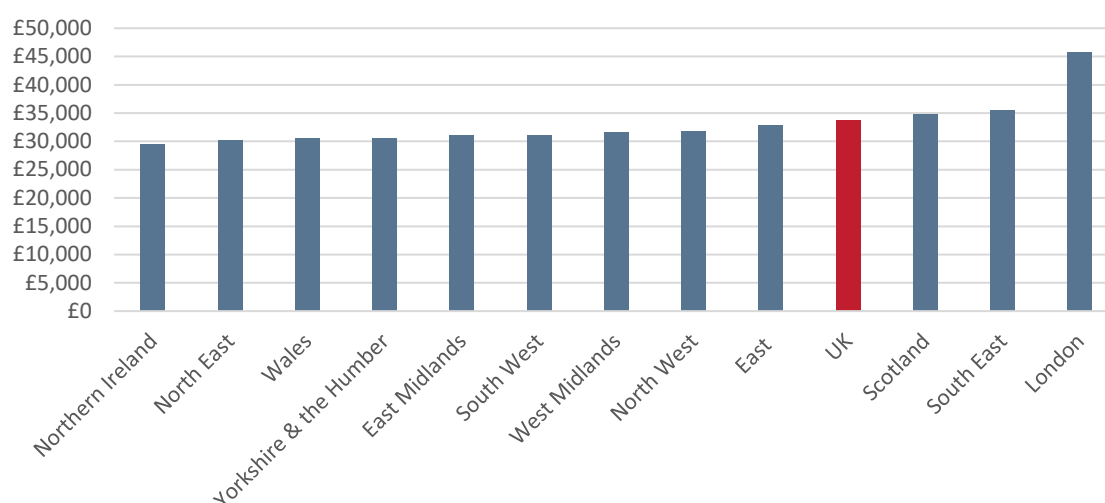
Based on the work of Hasluck et al (2008)<sup>15</sup>, we estimate that the productive capacity of the typical apprentice is around two-thirds that of a fully-trained employee. From this, we estimate that the productive contribution of a typical apprentice stands at £33,800 per year. It is important to note that this estimate relates to the average apprentice in the UK and divergence would be exhibited amongst apprenticeship standards, apprenticeship levels, and regions. For instance, our estimates suggest that the productive contribution of the average apprentice in education and childcare stands at just £9,500 per year. Meanwhile, apprentices in sales, marketing, and procurement, digital, and protective services all contribute output in excess of £40,000 per year. On a geographical basis, apprentices' contributions are lowest in Northern Ireland, averaging £29,400 per year, and highest in London, at £45,700 per year.

If we were to remove this downward adjustment regarding apprentices' productivity and instead assume that apprentices are as productive as other employees, the contribution of the average apprentice is estimated at £49,500. This remains lower than the productive contribution of the average UK employee, given the requirement for apprentices to spend 20 per cent of their time off-the-job. For comparison, the productive contribution of the average UK employee is estimated at £61,800.

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<sup>15</sup> Hasluck et al (2008) - The Net Benefit to Employer Investment in Apprenticeship Training

Figure 5: Estimated productive contribution of average apprentice, by region, 2020/2021



Source: Cebr analysis

## Summary

Having established the wage rate, productive output, subsidy value and training costs associated with the typical apprentice starting in 2020/2021, the bulk of our analysis regarding the true cost of an apprenticeship is complete. At this stage, apprentices are found to bring a provisional annual net benefit of just under £10,600 to their employer during their training period, minus other expenses. The general formula and corresponding figures for this calculation are outlined below.<sup>16</sup> Other expenses will be covered in the next section.

Provisional employer gain, excluding other expenses:

$$\begin{aligned}
 \text{Employer gain} = & \\
 & \text{apprentice output} + \text{apprentice subsidies} \\
 & - (\text{apprentice wages} + \text{apprentice training costs} + \text{other expenses})
 \end{aligned}$$

$$\begin{aligned}
 & \text{£10,556} = \\
 & \text{£33,759} + \text{£1,040} \\
 & - (\text{£17,278} + \text{£6,965})
 \end{aligned}$$

## Additional expenses – survey insights

In the survey, we considered possible further costs incurred by businesses in the context of apprenticeship delivery. In doing so, we will produce further quantitative estimates of costs per apprentice, adding to those discussed in the previous section.

Among the additional costs of employing an apprentice considered in the survey are the backfill of resources require to release apprentices for the 20 per cent off-the-job training time, recruitment costs, extra training provision and student fees.

Beginning with resource backfill, 73.1 per cent of respondents reported experiencing this cost. Responses pointed to an annual cost burden of £59,100 for each such business. This is equivalent to £2,300 per apprentice. Taking into account that 26.9 per cent of businesses do not experience this cost when employing apprentices, this takes the associated cost for the average UK apprentice to just below £1,700.

<sup>16</sup> Note that the figure for training costs excludes the apprentice's wages for time spent conducting off-the-job-and on-the-job training. This is to avoid double counting with the wage term.

In terms of recruitment, employers can face cost pressure from assessment centres and job board fees. 78.2 per cent of respondents reported experiencing costs associated with recruitment, amounting to an annual cost of £47,800. Translating this into a figure for the average UK apprentice yields an estimate of £1,400.

Extra training provision and student fees for training conducted outside of the apprenticeship standard also factor into businesses' cost decisions. More than four fifths (80.5 per cent) of businesses reported experiencing this cost, amounting to an annual cost of £45,900 per business. This also yields a per apprentice estimate of £1,400.

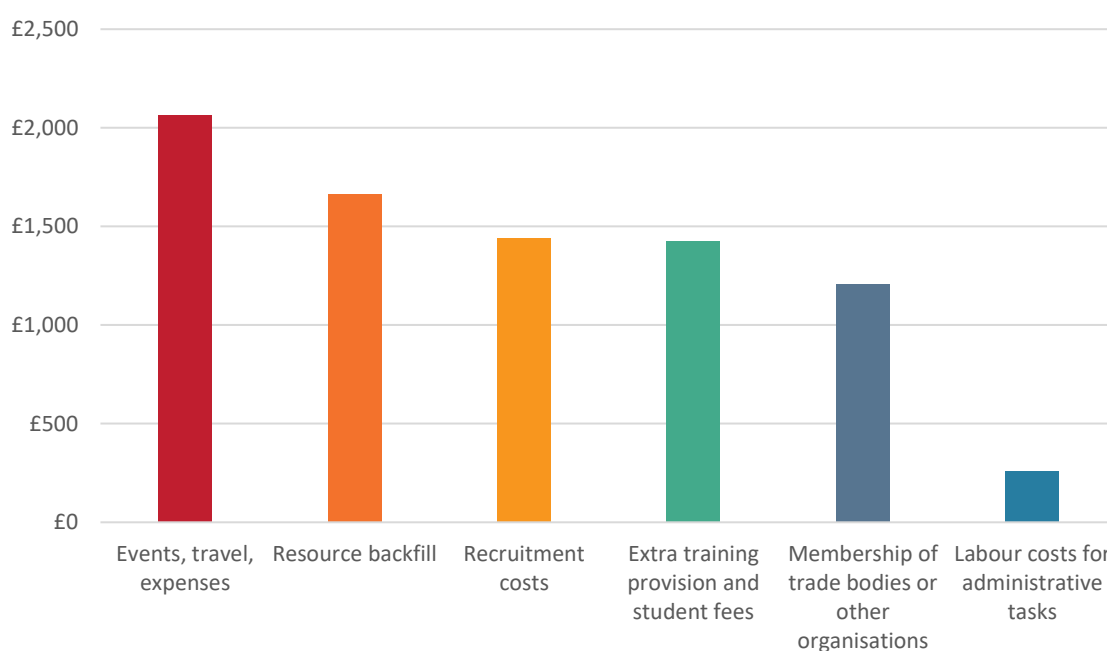
Events, travel, and expenses were a significant cost pressure for businesses in delivering apprenticeships. 76.5 per cent of businesses reported experiencing this cost, with each such business bearing costs of £70,000 per year. This equates to £2,700 per apprentice employed by businesses falling into this category and £2,100 across the entire sample of apprentices.

Another cost concerns membership of trade bodies or other organisations. This was the least commonly reported cost amongst the sample. Nevertheless, this was still cited by 65.5 per cent of respondents. Amongst such businesses, average annual costs of £47,900 were incurred. This amounts to a cost of £1,200 for the average UK apprentice.

A final cost considered via the survey concerns the time spent on administrative tasks associated with apprenticeship delivery. Such tasks can include liaising with training providers, filing government paperwork, and providing pastoral care for apprentices. Our survey results suggest that the average business spends 7.9 labour hours per week on such tasks, equivalent to just under 400 hours per year. Applying the mean UK wage rate to this figure suggests that businesses bear annual costs of just under £7,000. Since these tasks tend to be undertaken in bulk, covering all apprentices employed at any one time, the per apprentice cost is relatively low. Spreading this figure over the entire sample of apprentices yields a per apprentice annual cost of £260.

The per apprentice costs for each of the above discussed categories are illustrated below. Summing these categories together brings other expenses of approximately £8,100 per apprentice per year.

Figure 6: Costs incurred for average UK apprentice per year, by category



Source: YouGov, Cebr analysis

## Net Benefit

Given our calculations of apprentices' productive output and the associated direct costs of delivering apprenticeships, and our estimates of further delivery costs, we can produce an estimate for the net benefit of an apprentice to the employer. As outlined above, this is found by taking the headline figure for the apprentice's output, adding on any subsidies, and subtracting the training costs borne by the employer, labour costs, and any further expenses.

These calculations result in a net benefit for the average apprentice in the UK. At a value of £2,496, this is a testament to apprentices' productive output during time spent on the job. The value of incentive schemes is also key to the net benefit, given that such schemes effectively act as extra revenue for the employer. These schemes are broader in scope in 2020/2021 than in previous years, as both the UK and devolved governments seek to encourage apprenticeship delivery in the wake of the pandemic. If we were to remove the value of all subsidies, the net benefit of the average apprentice would still be positive, albeit lower, at approximately £1,500.

$$\begin{aligned} \text{Employer gain} = \\ & \text{apprentice output} + \text{apprentice subsidies} \\ & - (\text{apprentice wages} + \text{apprentice training costs} + \text{other expenses}) \end{aligned}$$

$$\begin{aligned} & \text{£2,496} = \\ & \text{£33,759} + \text{£1,040} \\ & - (\text{£17,278} + \text{£6,965} + \text{£8,060}) \end{aligned}$$

Further, it is important to note that this net benefit figure relates only to an apprentice during the course of their training. Upon completion of their training, once their productivity has improved and employers no longer bear any training costs or apprenticeship-specific expenses, the net benefit of employing these individuals would increase. The employer would then be able to accrue further benefits so long as the apprenticeship completer remains under their employment.

### Off-the-job training costs modelling

The following material concerns the cost of off-the-job training to levy-paying employers in England. In the best-case scenario, the employer of the average apprentice bears annual off-the-job training costs of £5,400, indirectly funded via their levy proceeds. This estimate is obtained via a modelling process, centred around the concept of the effective levy burden.

The concept of the effective levy burden is introduced below:

$$\begin{aligned} \text{Effective levy burden} = \\ \text{Initial levy contribution} - (\text{No. of apprenticeships delivered} * \text{Funding costs per apprenticeships}) \end{aligned}$$

By analysing data on government revenue and factoring in the assumption that around 2 per cent of employers are liable to pay the apprenticeship levy<sup>17</sup>, we estimate that the contribution of the average levy-paying business stands at just over £53,500. Following the 10 per cent government top-up, the total funds available for the average levy payer stand at just under £59,000.

Taking into account the average apprenticeship funding cap of £13,500, as outlined above, the average levy payer could provide for four apprenticeships in full using the funds in their levy account. In this case, referred from here on as Scenario 1, the total value of the training costs for four apprenticeships would actually exceed their initial levy contribution by approximately £400. As such, the employer can be seen as paying £53,500 towards apprentices' training costs, that is, their initial levy contribution, while reducing their effective levy burden to such an extent that it becomes negative, as represented by the £400 figure. In practice, this reflects the portion of the government top-up that the business uses towards providing for apprenticeships.

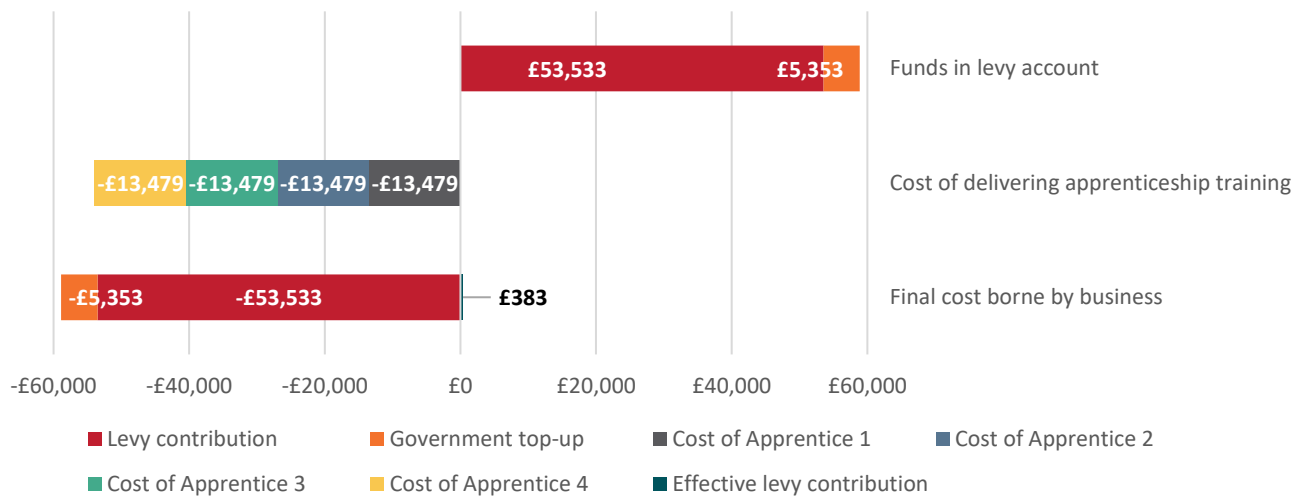
Combining the initial sunk cost of £53,500 with the value of the government top-up utilised by the business, the average levy payer bears a cost burden of around £53,100. Given that they are funding four apprentices, this translates into a per apprentice cost of £13,300. This represents the cost of training apprentices, with funding made indirectly via the payment of the apprentice levy. Factoring in the typical length of an apprenticeship

<sup>17</sup> <https://www.gov.uk/government/news/key-facts-you-should-know-about-the-apprenticeship-levy>



standard of 28 months<sup>18</sup>, this gives a cost of around £5,800 per apprentice per year. This final figure represents the annual cost of training an apprentice for the average levy-paying employer, with the funds being paid indirectly via the initial payment of the apprenticeship levy.

Figure 7: True cost of apprenticeship levy and relationship between levy and training costs for average employer – Scenario 1



Source: Cebr analysis

We can further consider the scenario in which the levy-paying business opts to partially fund an additional apprenticeship, referred to from here on as Scenario 2. Under these circumstances, the business exhausts their entire levy allowance, including the government top-up, and must then pay the costs for the additional apprenticeship themselves. Once again, we here conceptualise the business’s contribution to training provision as their initial levy payment.

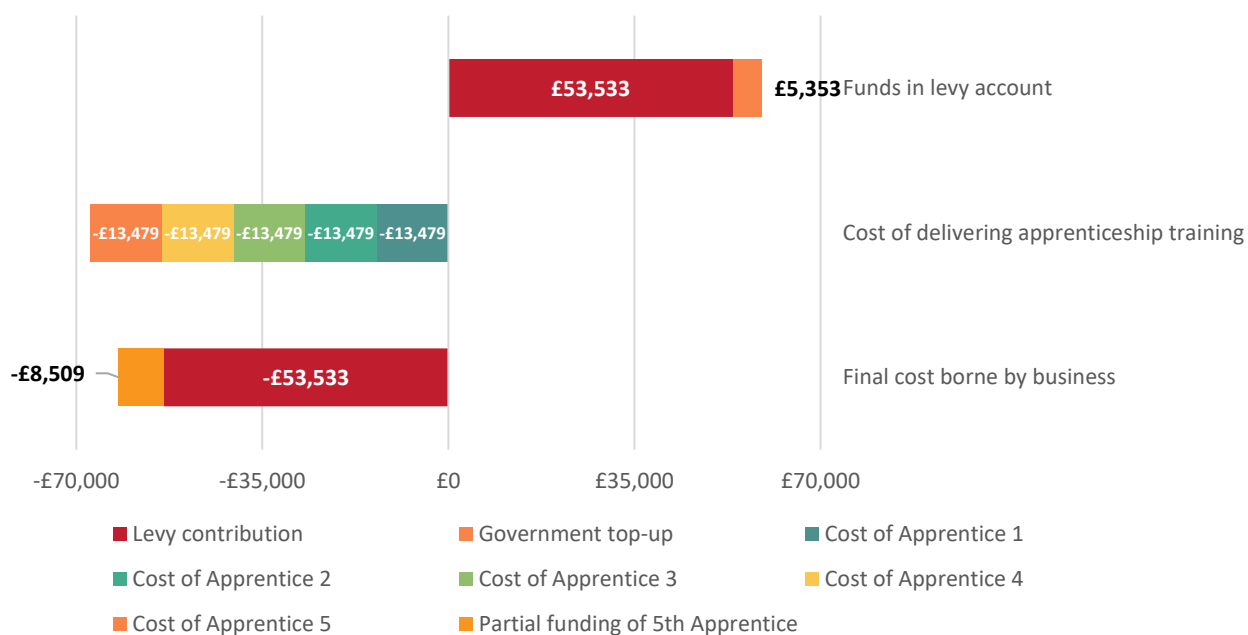
The business provides for the four apprenticeships in full as above, but now receives the full value of the government top up. This takes the effective levy contribution even further into negative territory, amounting to the negative value of the government top up. Since this scenario is premised on the business covering the further training costs themselves, we then need to factor in the cost of delivering the additional apprenticeship.

Under this scenario, the business is in effect paying for the delivery of five apprenticeships, to the value of £67,000. Given that this reduces their levy contribution such that it becomes negative – the £5,400 top-up value – the final figure for the business’s financial burden amounts to just over £62,000. This figure is itself then broken down into the value of their initial levy contribution, £53,500, and the cost of partially funding the fifth apprentice, £8,500.

Given the business’s total burden of £62,000 and the fact that they are now employing five apprentices, the respective figures for costs per apprentice and costs per apprentice per year now stand at £12,400 and £5,400, respectively. These figures are lower than those outlined in Scenario 1, since the employer is now making use of a greater proportion of the government top up.

<sup>18</sup> Education & Skills Funding Agency – Apprenticeship standards: funding bands

Figure 8: True cost of apprenticeship levy and relationship between levy and training costs for average employer – Scenario 2



Source: Cebr analysis

### Off-the-job training costs summary

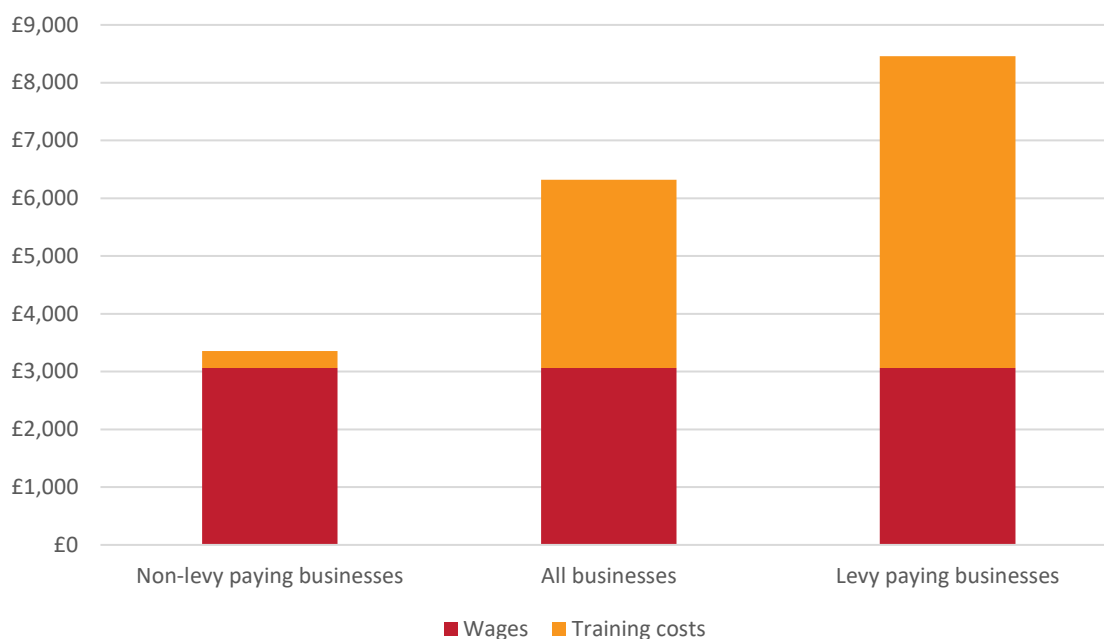
In producing an average value for the training costs borne by employers in England, we will assume that levy paying businesses act as in Scenario 2, that is, they exhaust their levy funding allowance. This represents a best-case scenario in which employers' costs per apprenticeship delivered are minimised, with an annual value of £5,400. In practice, many employers do not to exhaust their levy funds. This may occur for several reasons, including a lack of demand for additional staff, the perception of increased bureaucracy, or a general lack of awareness regarding the benefits of delivering apprenticeships via the levy funds. A business's capacity to absorb further labour time and costs is also a factor. Nevertheless, modelling the scenario in this manner can be used to demonstrate how businesses can benefit from exhausting their levy allowance.

Based on the breakdown between the number of apprenticeships provided by levy payers and non-levy payers and the above estimates for costs borne by these respective groups, we estimate that the average apprenticeship yields off-the-job course costs of £3,300. On top of this, businesses face a further cost from funding apprentices' wages for time spent off the job. This amounts to just under £3,100 for the average apprentice, with this figure holding across both levy payers and non-levy payers.<sup>19</sup> Considering both of these cost sources, the average apprenticeship yields off-the-job training costs of £6,300.

As shown in Figure 9, the divergence between levy and non-levy paying employers is clear, with the average apprentice in the former bringing off-the-job training costs of over £8,900, while typical training costs incurred by businesses in the latter category amount to just £3,400. This divergence stems from the costs presented by the apprenticeship levy itself, which are used indirectly to fund apprenticeships.

<sup>19</sup> Note that this value is already captured within the annual wage estimates in a preceding section. When calculating the final net benefits, this is excluded to avoid double counting.

Figure 9: Average annual off-the-job training costs in 2020/2021, by employers' levy paying status



Source: Cebr analysis

### 3. Trends in apprenticeship figures across the UK

Though data on apprenticeships is long-standing, we confine our analysis to the period since 2013/2014. This is because this marked the first academic year in which comparable data across both apprenticeship starts and achievements were made available across each of the UK's constituent nations.

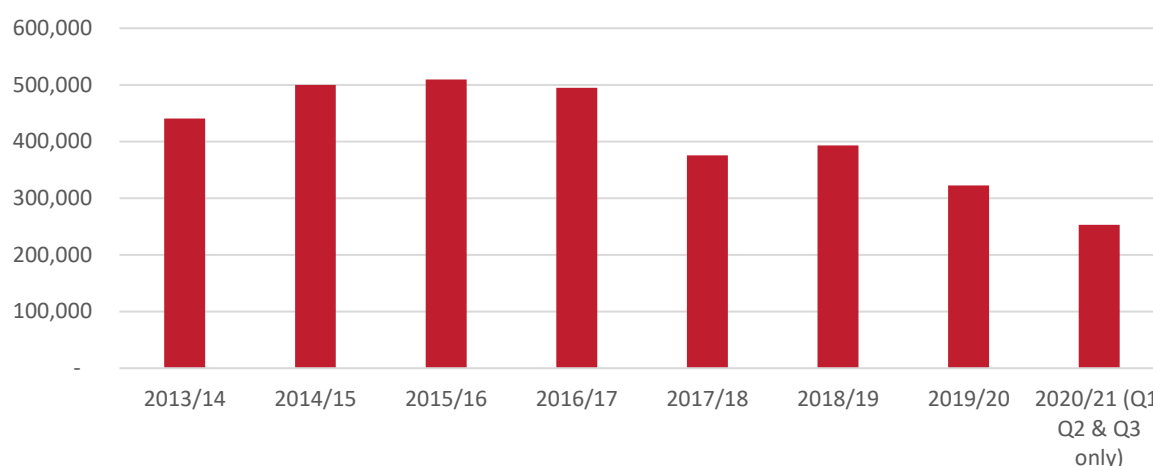
#### England

Between 2013/2014 and 2019/2020<sup>20</sup>, there were an estimated 3.1 million apprenticeship starts in England, as well as an estimated 1.7 million apprenticeships achievements over the same period. To add to these figures, approximately 171,400 apprenticeships have been started in the first two quarters of the 2020/2021 academic year, as well as a further 59,400 apprenticeship achievements.

The number of apprenticeship starts in England has been on a mostly downward trajectory in recent years. With the exception of 2018/2019, the number of starts has fallen in each year since 2015/2016, hitting a low of 322,500 in 2019/2020. This marks a fall of 36.7 per cent compared to 2015/2016.

<sup>20</sup> Unless otherwise stated, reference to years of the format 20XX/YY alludes to academic years, running from August to July.

Figure 10: Number of apprenticeship starts in England by academic year, 2013/2014 - 2020/2021



Source: Department for Education

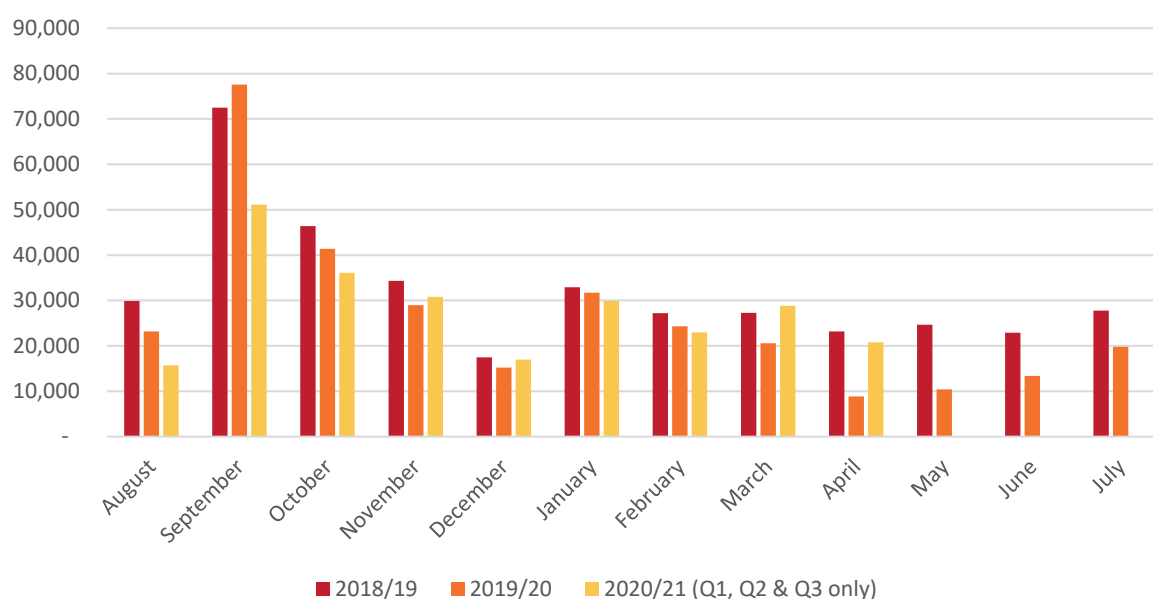
While much of the drop in 2019/2020 was attributable to Covid-19 effects, apprenticeship starts were on track to fall on an annual basis even before the pandemic hit. This becomes clear when splitting the 2019/2020 academic year into two distinct time periods. In the period between March 2020 - the onset of the Coronavirus crisis in the UK - and the end of the academic year in July, there were an estimated 73,100 apprenticeship starts. This compares to 125,900 in the same period in 2019, representing a fall of 41.9 per cent. When considering the pre-Covid-19 portion of the 2019/2020 academic year, running from August 2019 to February 2020, apprenticeship starts amounted to 242,400. This also represented a fall on the same period in 2018/2019, albeit a smaller one at just 7 per cent. Overall, apprenticeship starts across 2019/2020 were 18 per cent lower than the corresponding figure for 2018/2019.

Looking at the 2020/2021 academic year, we see that the number of apprenticeship starts remains suppressed by Covid-19 effects for the first two quarters. Between August 2020 and January 2021, there were an estimated 180,600 apprenticeship starts. Comparing this figure to that of the same period in 2018/2019 and 2019/2020 shows declines of 22.7 per cent and 17.2 per cent, respectively.

Data for the third quarter of 2020/2021 paints a more positive picture and could indicate a turning point in apprenticeship starts. Between February and April 2021, there were an estimated 72,600 starts in England. This falls just short of pre-pandemic levels, with the corresponding figure for the same period in 2018/2019 standing at 77,700. Both figures exceed the 2019/2020 value, for which figures were significantly affected by the onset of the pandemic. Between February and April 2020 there were just 53,800 starts.

The relative uptick in starts in recent months likely reflects renewed economic optimism, as well as the effects of the various incentive schemes offered by national governments.

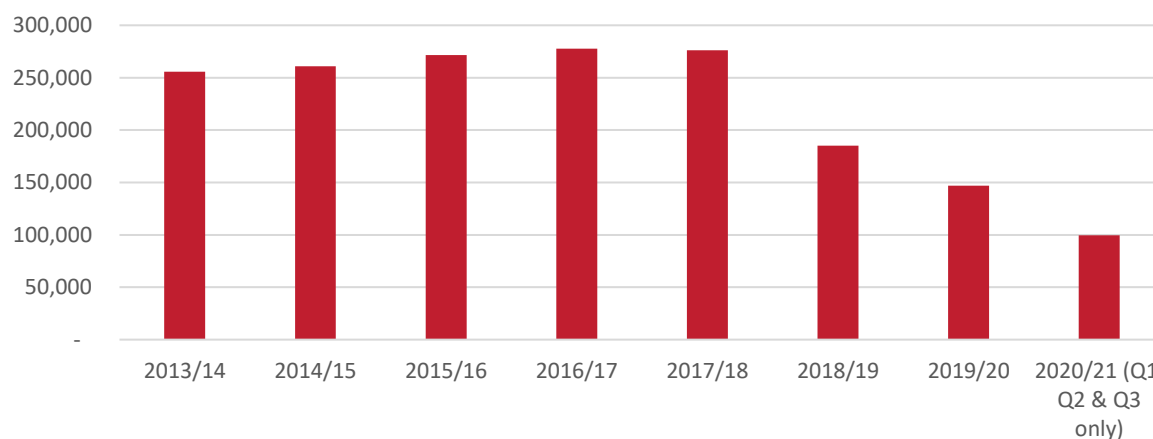
Figure 11: Number of monthly apprenticeship starts in England, 2018/2019 - 2020/2021



Source: Department for Education

Having increased in each year between 2013/2014 and 2016/2017, the number of apprenticeship achievements has since fallen in each subsequent period. Though the fall in 2017/2018 only amounted to a drop of 0.6 per cent on the near-term peak of 278,000 in 2016/2017, subsequent year-on-year falls of 33 per cent and 20.7 per cent have since been recorded in 2018/2019 and 2019/2020, respectively. Given the time period associated with completing an apprenticeship, we could see further falls in the number of apprenticeship achievements in the coming years, mirroring the subdued number of apprenticeship starts witnessed since 2017/2018.

Figure 12: Number of apprenticeship achievements in England by academic year, 2013/2014 - 2020/2021

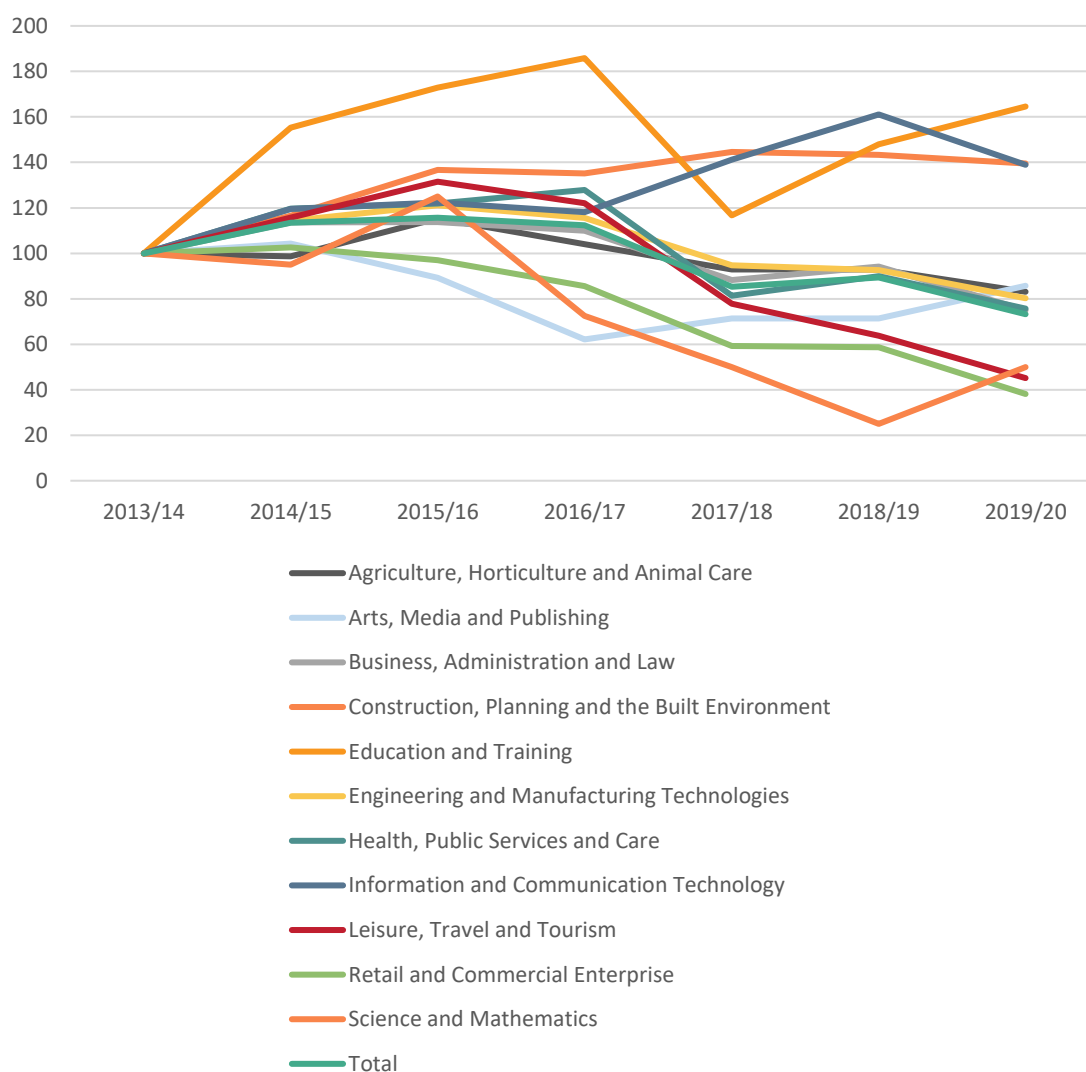


Source: Department for Education

Despite the clear downward trend in the aggregate number of apprenticeship starts across England in recent years, there has been considerable variation in trends within different sectors. Considering the breakdown of apprenticeship starts by Sector Subject Area, we find that three sectors have exhibited growth between 2013/2014 and 2019/2020. Of these, the strongest growth rate was seen in education and training, amounting to an increase of 64.6 per cent. This was followed by construction, planning and the built environment, with an uptick of 39.5 per cent, and information and communication technology, which saw an increase of 38.9 per cent over this period.

All other sectors saw a decline in the number of apprenticeship starts, with the starkest falls being in retail and commercial enterprise, amounting to a drop of 61.9 per cent, and leisure, travel and tourism, for which apprenticeship starts fell by 54.9 per cent. We ought to again note possible Covid-19 effects here. These two sectors have been amongst the hardest hit by the pandemic, with businesses having faced considerable barriers to operation. This put further downward pressure on the number of apprentice starts in 2019/2020. If we instead consider the period ending 2018/2019, we still observe large-scale falls compared to 2013/2014, though these are slightly more subdued relative to 2019/2020's figures. These falls amount to 41.2 per cent for retail and commercial enterprise and 36.3 per cent for leisure, travel and tourism.

Figure 13: Number of apprenticeship starts in England by Sector Subject Area, 2013/2014 - 2019/2020



Source: Department for Education, Cebr analysis

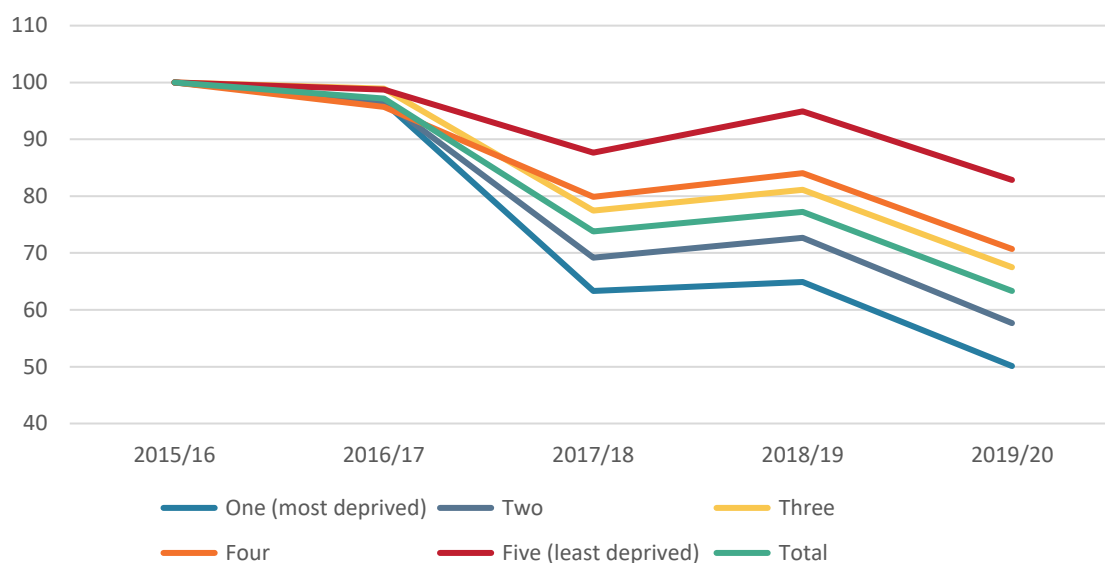
The latest figures on starts by geography show that all regions remain subdued compared to pre-pandemic levels. This is observed to varying degrees, however. For instance, starts in London in the first three quarters of the 2020/2021 academic year were close to their pre-pandemic level, being just 7.6 per cent lower than witnessed in the same period in the 2018/2019 academic year. Meanwhile, starts in the South East were just 12.8 per cent lower in the first three quarters of 2020/2021 compared to the same period in 2018/2019. At the other end of the scale, starts in the North East were 27 per cent lower in the first three quarters of 2020/2021 than in the same period of 2018/2019. Starts also remain particularly subdued in Yorkshire and The Humber, the East Midlands and West Midlands.

A further trend to note amongst apprenticeship starts in England relates to social demographics. When considering apprenticeship starts by the Index of Multiple Deprivation, we see that the downward trend in starts

has been much stronger amongst apprentices from more deprived areas. Between 2015/2016 and 2019/2020, the number of starts amongst apprentices in the most deprived 20 per cent of neighbourhoods has fallen by nearly half, amounting to a slump of 49.9 per cent. Each subsequent quintile of neighbourhoods has seen a smaller relative fall in the number of starts over this period, amounting to a fall of just 17.1 per cent for the least deprived 20 per cent.

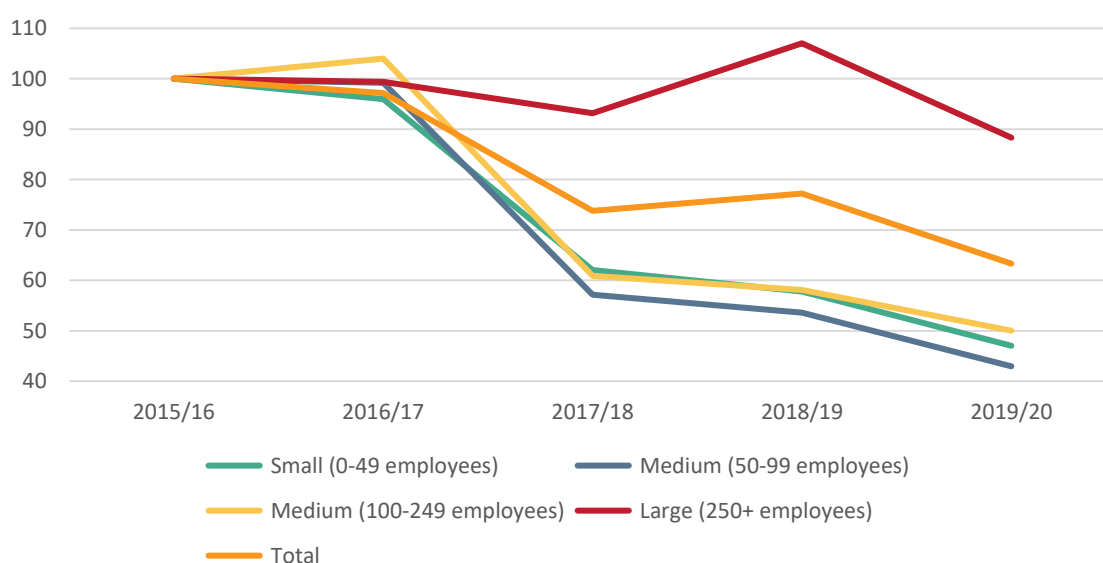
There has also been considerable variation in apprenticeship starts when looking at employer size. Though starts have fallen across all business sizes, the variation once more stems from the scale of the fall. Starts at large employers - that is, those with more than 250 employees - have been relatively resilient, amounting to a drop of just 11.7 per cent between 2015/2016 and 2019/2020. At the other end of the scale, the fall has been most stark amongst medium-sized businesses with 50 to 99 employees. This category has observed a fall of 57 per cent between 2015/2016 and 2019/2020.

Figure 14: Number of apprenticeship starts in England by deprivation quintile, 2015/2016 - 2019/2020



Source: Department for Education, Cebr analysis

Figure 15: Number of apprenticeship starts in England by employer size, 2015/2016 - 2019/2020

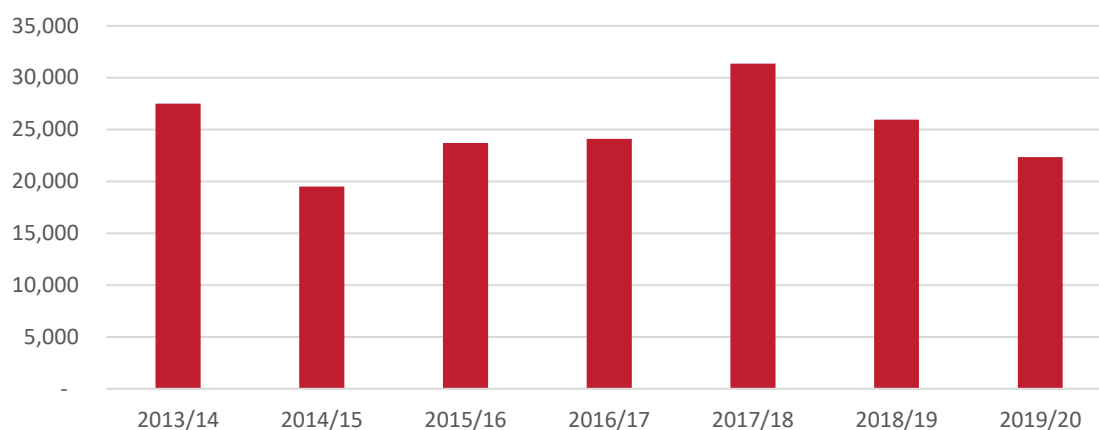


Source: Department for Education, Cebr analysis

## Wales

The number of apprenticeship starts in Wales has followed a slightly different path to that of England. Having increased in each year between 2014/2015 and 2017/2018, reaching a near-term peak of 31,000 in the latter, the number of starts has since witnessed two consecutive years of decline, falling to 22,000 in 2019/2020. It appears that apprenticeships in Wales have been less subject to Covid-19-induced volatility, with 2019/2020's figure still outweighing some other data points in previous years, including 2014/2015, when there were fewer than 20,000 apprenticeship starts.

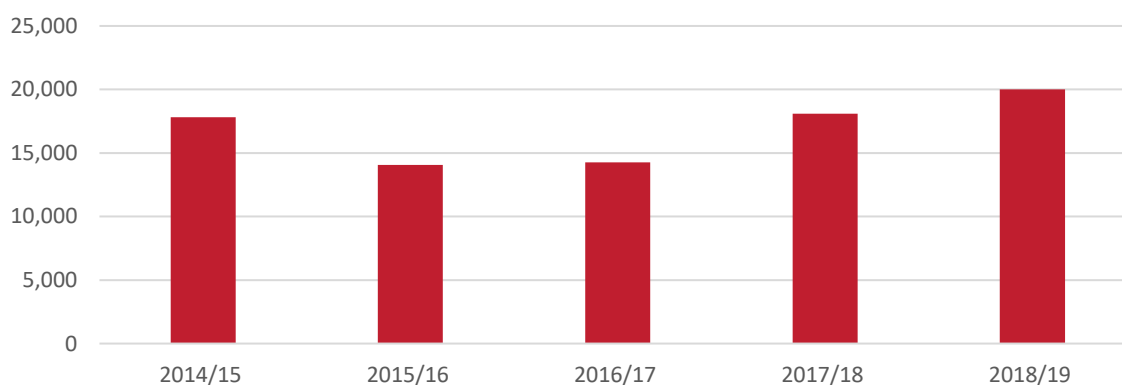
Figure 16: Apprenticeship learning programmes started in Wales by academic year



Source: StatsWales

In terms of apprenticeship achievements, figures in Wales have displayed an upward trajectory in recent years. Having hit a near-term low of just over 14,000 in 2015/2016, the number of apprenticeship achievements has since picked up in each subsequent year, reaching 20,000 in 2018/2019. This represents growth of 42.4 per cent between these two data points. Despite this, the number of achievements in Wales likely mirrored the path of those in England in 2019/2020, with the Coronavirus pandemic prompting subdued achievement levels.

Figure 17: Number of apprenticeship achievements in Wales by academic year, 2014/2015 - 2018/2019<sup>21</sup>



Source: StatsWales

## Scotland

Between 2013/2014 and 2019/2020, there were an estimated 185,000 apprenticeship starts in Scotland, as well as an estimated 144,000 apprenticeships achievements over the same period. To add to these figures,

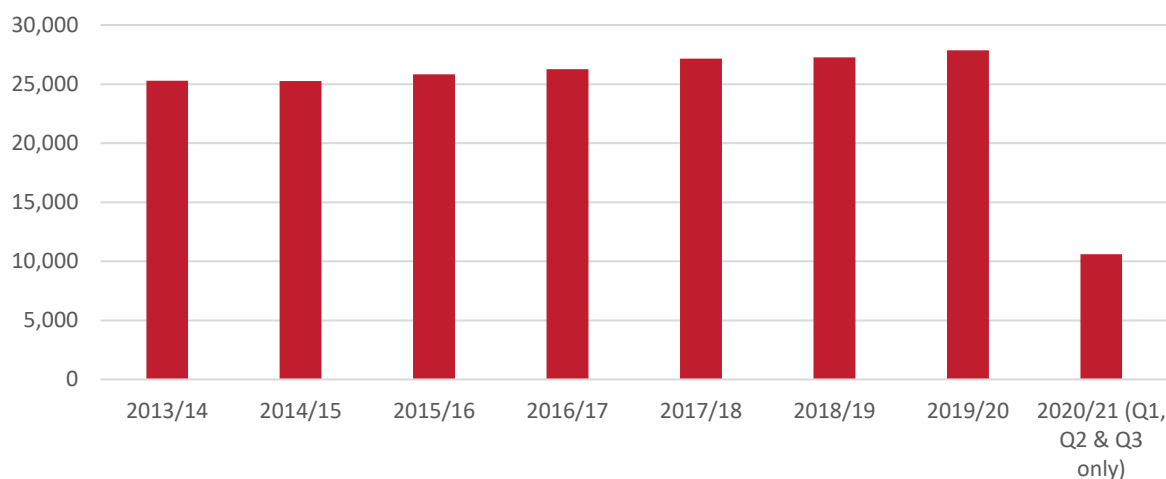
<sup>21</sup> Note that confined timeframe is due to lack of data for 2013/14 and 2019/20.



approximately 10,600 apprenticeships have been started in the first three quarters of the 2020/2021 academic year, as well as a further 10,400 apprenticeship achievements.

Prior to the onset of the Covid-19 pandemic, the number of apprenticeship starts in Scotland had been on a gradual upward trajectory. From a near-term low of just over 25,000 in 2014/2015, the number of starts reached 27,900 by 2019/2020. This represents growth of 10.4 per cent between the two data points.

Figure 18: Number of apprenticeship starts in Scotland by academic year, 2013/2014 - 2020/2021



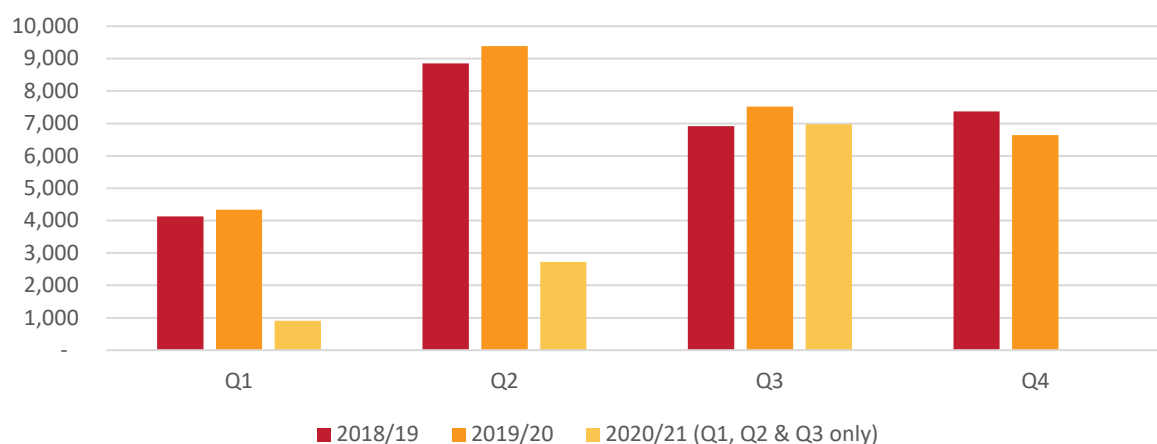
Source: Skills Development Scotland

It should be noted that the reference period for academic years in Scotland is slightly different to that in England and Wales, running between April and March of the subsequent year. Given that the Covid-19 pandemic only affected the UK from March 2020 onwards, Scotland's 2019/2020 figures for apprenticeship starts are largely absent from Covid-19 effects.

Instead, we observe a stark fall in apprenticeship starts in the initial quarters of the 2020/2021 academic year. In the first quarter of 2020/2021, there were just 910 apprenticeship starts, representing a fall of 79 per cent compared to the same period in the 2019/2020 academic year. Though the number of starts has seen an uptick in the two subsequent quarters, total apprenticeship starts for the first three quarters of the 2020/2021 academic year amount to just 10,600. Compared to the same period in 2019/2020, this marks a fall of 50.1 per cent. This highlights the extent to which apprenticeship uptake has been hindered by the pandemic and associated restrictions.

It is important to note however, that apprenticeship starts in Scotland have picked up significantly in Q3, despite the continued restriction measures. Indeed, starts in Q3 2020/2021 were higher than those witnessed in the same quarter in 2018/2019. This could merely reflect a displacement effect, where starts that would have taken place in Q1 and Q2 were delayed into Q3. Some influence likely comes from the incentive schemes recently implemented by the Scottish Government, however.

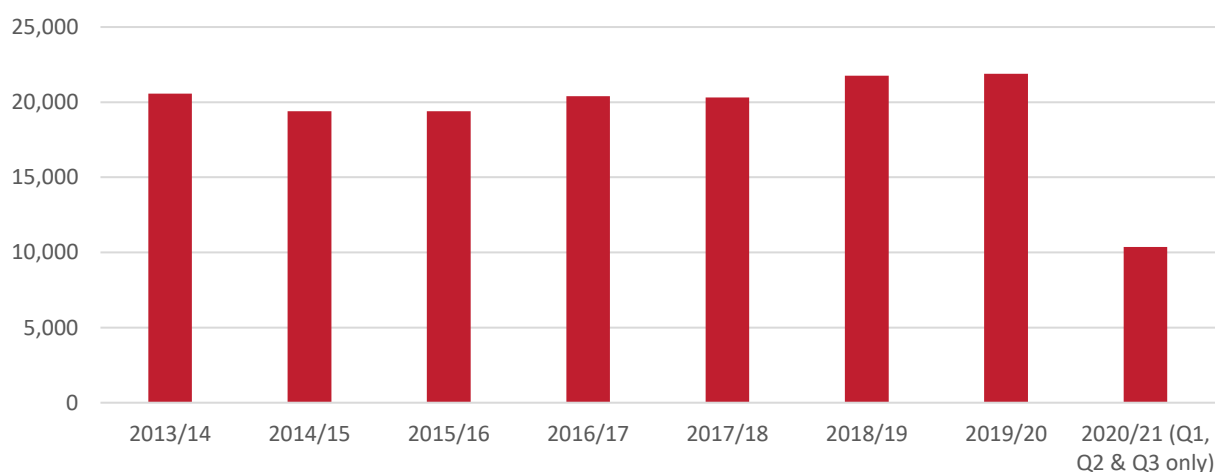
Figure 19: Number of quarterly apprenticeship starts in Scotland, 2018/2019 - 2020/2021



Source: Skills Development Scotland

The trend for apprenticeship achievements in Scotland roughly follows that of apprenticeship starts. Achievements have risen from the mid-2010s, reaching a near-term peak of just under 22,000 in 2019/2020. Activity has been curtailed by the Covid-19 pandemic however, resulting in just 10,400 achievements in the first three quarters of the 2020/2021 academic year. This represents a fall of 33.7 per cent on the same period in 2019/2020.

Figure 20: Number of apprenticeship achievements in Scotland by academic year, 2013/2014 - 2020/2021

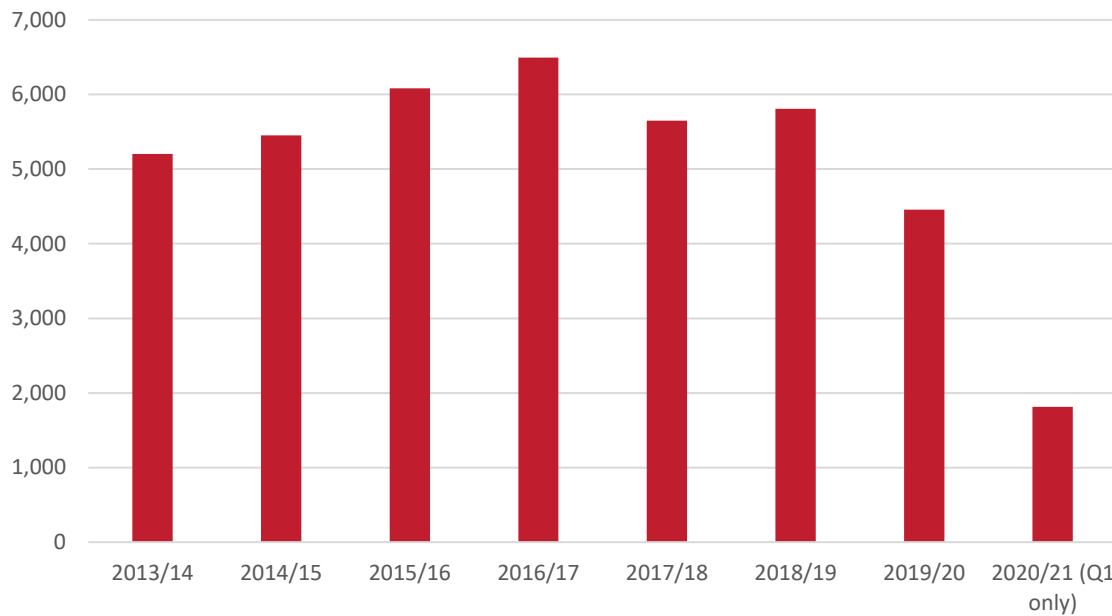


Source: Skills Development Scotland

## Northern Ireland

Between 2013/2014 and 2019/2020, there were an estimated 39,000 apprenticeship starts in Northern Ireland. Meanwhile, there were an estimated 9,700 apprenticeship completers achieving a Framework Level 3 qualification over the same period. To add to these figures, approximately 1,800 apprenticeships have been started in the two quarters of the 2020/2021 academic year, as well as a further 215 apprenticeship achievements at Framework Level 3 completed.

Figure 21: Number of apprenticeship starts in Northern Ireland by academic year, 2013/2014 - 2020/2021



Source: Northern Ireland Statistics and Research Agency (NISRA)

The number of apprenticeship starts in Northern Ireland rose throughout the mid-2010s, reaching a peak level of 6,500 in 2016/2017. Take-up rates have largely fallen since then, however, reaching just 4,500 in 2019/2020. This represents a drop of 31.4 per cent. Apprenticeships data for Northern Ireland refers to the academic year running from August to July, meaning that much of the drop in 2019/2020 can be attributed to Covid-19 effects. Such effects have continued into the 2020/2021 academic year, with the number of apprenticeship starts in the first quarter being down by 30.5 per cent compared to the same period in 2019/2020.

In terms of apprenticeship achievements, data from Northern Ireland is broken down by qualification type, covering NVQ Levels 2 and 3 and Framework Levels 2 and 3. We confine our analysis to Framework Level 3 in order to assist comparison and maintain consistency with the following section on apprenticeship starts by framework subject. The number of apprenticeship achievements in Northern Ireland saw a large-scale increase in the mid-2010s, rising from just 72 achievements in 2013/2014 to just under 2,000 by 2017/2018. This reflects the acceleration of apprenticeship starts in the years prior to this.

