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THE ROLE OF APPRENTICESHIP INTERMEDIARIES IN ENGLAND

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SUMMARY

Apprenticeships have the potential to make a transformative difference to the lives of learners and to the skills and productivity of businesses. This potential is not currently being realised, with the fall in apprenticeships offered by small and medium-sized enterprises (SMEs) since 2017 a significant contributory factor. Barriers cited by businesses include a lack of high-quality information and practical support, and challenges navigating apprenticeship funding and accessing suitable provision, as well as the caps on non-levy apprenticeships imposed by government until April 2023.

In this context, an organic network of intermediary support has grown up in England. While diverse in origin and nature, these actors share a common aim to increase the number of apprenticeships, and especially to support smaller organisations to access apprenticeships. The specific activities of apprenticeship intermediaries relate closely to the challenges and barriers which businesses – and SMEs especially – face when engaging with the apprenticeships system. These activities include business engagement to increase demand for apprenticeships, practical support to navigate systems, aggregating employer demand, and support to understand and access funding. The growth of intermediaries in England reflects the central role this support plays in other apprenticeship systems across the world – both those we look to as exemplars of success, and those which share some of our challenges.

With a significant role to play in helping overcome the current challenges within the apprenticeship system, we therefore recommend that intermediaries should become an integral part of the policy solution, ensuring that all SMEs are able to access high-quality support. This will better enable apprenticeships to drive the skills improvements needed, to address regional inequalities, and to improve business productivity in the sectors which matter most for communities. With this in mind, we make four recommendations to strengthen opportunities for learners and businesses to benefit from apprenticeships across England.

Recommendation 1: Every SME should be guaranteed access to high-quality intermediary support via a comprehensive national network of intermediaries.

Recommendation 2: The UK government should establish Apprenticeships Support England, an umbrella body operating at arm's length from government, to ensure quality, consistency and economies of scale.

Recommendation 3: The UK government should redirect funding from levy top-ups to provide core funding to Apprenticeships Support England and provide seed funding to support the development of apprenticeship intermediaries where gaps exist.

Recommendation 4: The UK government should commit to formal evaluation to underpin future investment and support for apprenticeship intermediaries to build a robust evidence base on 'what works'.

While this study is focussed specifically on apprenticeships, we believe its findings and recommendations have potential relevance across the wider skills offer. Although apprenticeships have a unique set of features, the challenges employers face navigating the system without high-quality support are magnified in the context of a complex and frequently changing range of wider skills programmes. Newer T levels and skills bootcamps sit alongside older further education (FE) routes, with elements of regional devolution as well as short-lived initiatives such as kickstart.

If we want to maximise the potential of apprenticeships and the wider skills offer, without making compromises between complexity and quality, ensuring a universal support offer for SMEs – as we see in other apprenticeship systems internationally – is essential.

1. INTRODUCTION

Over recent years, and especially since the major apprenticeship reforms which followed the Richard Review of Apprenticeships, an organic network of apprenticeship intermediary organisations has emerged in England (Richard 2012). While diverse in origin and nature, these actors share a common aim to increase the number of apprenticeships, and especially to support smaller organisations to access apprenticeships.

Apprenticeship intermediary organisations play an important role in generating new apprenticeship vacancies, supporting employers to navigate apprenticeship administration and funding, and aiming to improve apprenticeship systems at strategic and practical levels.

Apprenticeship intermediaries in England and overseas play a coordinating role between the main players in apprenticeships: employers, learners and providers of training and education. They demystify complex systems, help employers understand how apprenticeships can meet their needs, and build strong sectoral or place-based knowledge and expertise. They contribute to improved outcomes including higher retention rates, support social impacts such as a more diverse apprenticeship workforce, and help to build stronger talent pipeline for sectors new to apprenticeships.

Having developed in response to trends in apprenticeship numbers which we will explore later in this report, they are also both a reflection of and a solution to some key challenges within the system. Yet they are a little-examined feature of apprenticeship systems, both in England and worldwide.

Apprenticeships occupy a unique position in England's complex skills landscape, whether compared with traditional further education courses or more recent offerings such as T levels and skills bootcamps. They have been substantially reformed since the Richard review in 2012, with the aim of improving quality and increasing employer investment in skills and training. They are funded via an employer levy, developed by employer-led trailblazer groups under the oversight of the Institute of Apprenticeships and Technical Education (IFATE), and sit outside the growing regional devolution of skills provision. Learners spend the majority of their time 'on the job', and apprenticeships' minimum duration of 12 months also sets them apart.

Apprenticeships are widely considered to deliver good outcomes for both learners and employers, with the greatest pay dividends for the most disadvantaged learners (Social Mobility Commission 2020). Employers widely report benefits ranging from increased productivity to improved staff retention. While we may not have achieved parity of esteem with academic routes, the reputation of apprenticeships is undoubtedly changing as more young people from affluent backgrounds choose degree apprenticeships over traditional university courses.

Yet their potential is far from being successfully leveraged. Overall numbers of apprenticeship starts have not yet recovered from their dramatic fall following the 2017 reforms. The groups with the most to gain from apprenticeships – young learners from disadvantaged and marginalised backgrounds - have been disproportionately affected (Sutton Trust 2022). Instead, the number of apprenticeships pursued by older, more highly qualified workers has increased. This has been driven by larger employers seeking to maximise the use of their levy funds, by caps placed by government on the number of non-levy apprenticeships available until April 2023, and by the impact of change and complexity on SMEs.

Such widely documented challenges are indicative of continued market failure within the apprenticeship system. The market alone, within our employer-led model, is not delivering the collective action required to ensure apprenticeships deliver on their potential to transform progression outcomes for young people and disadvantaged learners, nor that they are building the skills and productivity of England's vital small businesses.

In this context, it is vital that we better understand apprenticeship intermediary organisations in England and consider their potential role in addressing the current failures within the apprenticeship system.[1] Key questions include the following.

- What are apprenticeship intermediaries?
- What roles do they play in England and internationally?
- What barriers do they address?
- What role do they play in improving both apprenticeship numbers and quality?

METHODOLOGY

This paper used qualitative approaches to gathering insights, alongside literature review research.

Insight was gathered through:

- a literature review which looked at the role played by employer intermediaries, common models and any evidence of success
- interviews with employers (non-levy-paying SMEs, and large employers engaged in levy transfer), intermediaries and learning providers to identify barriers for employers and the ways in which intermediaries are responding
- interviews with representatives of governments, intermediaries and international networks operating in America, Australia, and Germany to gain additional insights into how different intermediary models work and what insights could be useful for the English context

[1] While the following chapters primarily focus on intermediaries' support for employers, we also note where they work directly with apprentices and other stakeholders within apprenticeship and skills systems.

- three roundtable discussions with policymakers, intermediaries, and local and regional government representatives, where findings from the literature review and interviews were presented, and the implications for policy and practice in England discussed.

This report sets out a consolidation of our findings from across this work, drawing on findings in England and international case studies. Recommendations are drawn from the insights gained from the research and discussions in the roundtables.

A NOTE ON THE APPRENTICESHIP LEVY

The apprenticeship levy is paid by all employers in England with an annual salary bill of greater than £3 million, at a rate of 0.5 per cent. These funds are ringfenced in a gov.uk Apprenticeship Service account. They can be drawn down by employers only to fund apprenticeship training and assessment, using approved apprenticeship standards and delivered by a training provider who is on the Register of Apprenticeship Training Providers. Unspent apprenticeship levy funds expire from the employers ringfenced account after 24 months.

Levy-paying employers can also choose to transfer up to 25 per cent of their levy funds to one or more smaller employers (for example, in their supply chain or local area), to fully fund the costs of their apprenticeship training. Again, these funds can only be used for apprenticeship training and assessment costs, and cannot therefore be directed towards SMEs' apprenticeship recruitment or salary costs, or to fund wider apprenticeship support services.

Non-levy-paying employers who don't access levy transfer funding to cover apprenticeship training costs are able to access apprenticeships via the government's 'co-investment' scheme, whereby the employer covers 5 per cent of the total cost with the rest paid by the government. While the cap on the number of apprenticeships an employer can access via this route has been lifted as of April 2023, the costs remain prohibitive for some businesses.

2.
CONTEXT

POLICY CHANGES – A SHORT SUMMARY

The apprenticeship reforms in 2017 (announced in 2015) encompassed two major changes: the introduction of the apprenticeship levy and associated funding changes, and the transition from older apprenticeship frameworks to new, employer-led apprenticeship standards (Powell 2020).

Funding reforms

With the introduction of the apprenticeship levy in 2017, all employers with an English salary bill of over £3 million p.a. began to pay into their levy fund, and to draw on this to fund new apprenticeship starts.

In parallel, non-levy-paying SMEs moved to accessing funding for apprenticeship training via government co-investment. The rate paid by SMEs was initially set at 10 per cent per cent; this was lowered to 5 per cent in April 2019. The number of apprenticeships available to non-levy-paying businesses was originally limited by the government's contracting of training providers. Until April 2023, they were restricted by the cap of 10 co-investment apprenticeships available annually per employer, which has now been lifted.

Associated with this, since 2020 all employers have to use the online gov.uk apprenticeship service to manage apprenticeships and funding.

From frameworks to standards

From the introduction of the first apprenticeship standard in 2014, a gradual transition from apprenticeship frameworks to standards took place, with the old frameworks completely phased out in July 2020.

Frameworks, and the many pathway options within them, had been developed by sector bodies. They were primarily qualification focussed, with ongoing assessment throughout the apprenticeships.

Standards are developed by 'trailblazer' groups of employers, under the oversight of IFATE, and are occupation focussed. The apprenticeship is assessed via 'end point assessment' conducted by an independent organisation.

In parallel with this, and similarly aiming to improve the quality of apprenticeships, all apprentices became entitled to spend 20 per cent of their time on 'off-the-job' training (updated to six hours per week in 2022).

THE IMPACT OF APPRENTICESHIP REFORMS

Recent reforms to the apprenticeship system, responding to the Richards review in 2012, aimed to increase overall employer investment in skills and training and to improve apprenticeship quality. While some indicators of quality have improved, employer investment in training has continued to fall in real terms (Learning and Work Institute 2022) and apprentice retention is problematic.

The total number of apprenticeship starts has declined from a peak of half a million in 2015 to just 349,000 in 2021/22 – a fall of over 30 per cent (DfE 2022a). Even the highest annual starts since the introduction of the levy – 389,000 in 2018/19, before the Covid-19 pandemic – representing a fall of one-fifth (ibid).

The fall in apprenticeship starts has disproportionately affected intermediate (level 2) apprenticeships – those which have typically offered routes into the workplace for young people, including those otherwise at risk of becoming NEET. Entry level apprenticeship starts fell by 69 per cent between 2014/15 and 2021/22 (the most recent year for which data is available), while higher level apprenticeships increased by over 400 per cent (ibid). Correspondingly, apprenticeship starts for those aged 24 and under have dropped by 13 per cent more than those by adults aged 25 and over – a fall of 36 per cent vs 23 per cent (ibid). The 2017 changes therefore accelerated changes which were, to some extent already becoming evident.

Small and medium-sized businesses have been most impacted by the 2017 reforms. Between 2016/17 and 2020/21 (the most recent year for which this data is available), apprenticeships in small and medium sized businesses fell by 45 and 56 per cent respectively, compared with a fall of just 14 per cent in large businesses (DfE 2022b). Perhaps most revealing, comparing 2016/17 with 2018/19, immediately before the Covid-19 pandemic, reveals a drop in apprenticeship starts in small and medium sized businesses of 40 and 45 per cent respectively, compared with an 8 per cent increase in starts in large businesses (ibid). This has been driven both by the caps placed on co-investment, and by an increasingly complex system which SMEs find challenging to navigate.

Low apprenticeship completion rates indicate challenges beyond the fall in starts. In 2020/21, the most recent complete year for which data is available, only 53 per cent of apprentices on programmes using the newer apprenticeship standards stayed on their programme until end-point assessment – meaning 47 per cent dropped out before this point (DfE 2022c). Many factors contribute to this, from functional skills requirements which some learners struggle to meet, to apprenticeships where a professional qualification is achieved before end-point assessment, reducing the perceived value of completion. However, the DfE's own apprenticeship evaluation highlights that the top three reasons why apprentices leave their programmes are linked to the overall quality of the programme: apprentices not having enough time for their training, the training not being as good as hoped, and the apprenticeship being badly run or poorly organised.

The apprenticeship levy has also failed to increase overall employer investment in skills. Both the proportion of people who have received training and employer investment in training per worker in real terms have continued to fall (Learning and Work Institute 2022). Looking at the apprenticeship levy in isolation, over £2 billion in expired levy funds have been returned to Treasury from employer accounts since the policy was introduced – 23 per cent of the Department's apprenticeship budget between 2017 and 2021 (Linford 2022). With £3.3 billion expiring from levy accounts over this period, only a third of those funds are being utilised within the system as intended.

Taking all this into account, greater intervention is required to ensure the apprenticeship system delivers on its potential, for both learners and employers. The market alone, via our employer-led model, is not delivering the collective action required to transform progression outcomes for young people and disadvantaged learners, nor for the skills and productivity of England's vital small businesses.

APPRENTICESHIPS AND THE PRODUCTIVITY CHALLENGE

The lagging productivity of UK businesses has been recognised as a challenge by successive governments (Haldane 2017; IPPR 2018), within which skills play a vital role. Improving workforce skills directly drives productivity improvements, as well as unlocking benefits from other productivity drivers including innovation and investment (Billing et al 2020).

Skills therefore have a vital role in addressing the regional inequalities which the current government's 'Levelling Up' agenda seeks to address. Differing levels of productivity sit at the centre of regional disparities, even when adjusting for sectoral differences across regions (ONS 2018). This points to a clear case for tackling regional skills disparities which can in turn narrow productivity gaps across England's regions.

With many sectors currently facing profound challenges due to labour shortages, there is also a crucial sectoral dimension to unlocking productivity improvements through skills investment. While green and digital skills are most frequently the focus of skills strategies – and remain much needed – a focus on 'everyday' sectors of the economy, including growing sectors such as early-years and social care, has the potential to reach further into communities in every part of the country, creating higher-quality work in more productive businesses on every doorstep.

Against this backdrop, apprenticeships have a core role to play in spreading opportunity and improving productivity across local economies. Productivity gains are cited by 78 per cent of employers questioned about their benefits (DfE 2022d), second only to the development of relevant skills. Apprenticeships also pay dividends for learners at level 3 and above in terms of income gains and progression opportunities (Social Mobility Commission 2020). While apprenticeships can only be successful as an integrated part of a wider coordinated skills offer for businesses and learners, they are a powerful lever for unlocking routes into good work for people across the country, and productivity benefits to employers that utilise them.

For these reasons, providing appropriate support for businesses to engage with the apprenticeships and skills system should be seen as an important element of solving the UK's productivity puzzle and addressing regional inequalities.

3.
BARRIERS FOR EMPLOYERS

Understanding the fall in apprenticeship starts, and in particular the decline in starts within smaller organisations, requires a deeper understanding of the significant barriers employers experience in engaging with the apprenticeship system in England. This also highlights the role of intermediary organisations in addressing these trends.

The challenges which emerged as most significant during our interviews are:

- A lack of high-quality information, and a lack of clarity regarding where to find information and support
- A gap between information and implementation, driven by a complex system lacking in support, and the risks of investing
- Employers' lack of time and resources, including financial barriers
- The availability of suitable apprenticeships in specific geographies and sectors, and the time and resources needed to develop new provision

A LACK OF INFORMATION

There is a lack of clear, accessible, and trustworthy information on what apprenticeships are and how the funding system works, as well as how apprenticeships can support the strategic needs of businesses.

Businesses of all sizes report a lack of clarity as to where to find information and support to engage with the apprenticeship and wider skills system, while SMEs lack tailored information on detailed steps such as selecting an apprenticeship standard and choosing a provider. This is especially pronounced given the rapidly changing nature of apprenticeships since 2017, with misconceptions persisting about who can undertake an apprenticeship and the role of employers within the system.

"When they go and look for that information, it's really confusing because there's people trying to sell you stuff but there are also people giving slightly misleading information. And although I think the gov.uk pages are good, they're not very practical. They're written in government talk, not SME talk."

Intermediary organisation via interview

"The [learning] providers don't give you this information [about levy transfer funding]... I don't know whether they don't earn anything out of it, but it's not something they will proactively give."

SME via interview

Larger employers lack information which clearly demonstrates how apprenticeships can support wider business objectives – both in terms of internal skills needs and wider

Corporate Social Responsibility (CSR) or Environmental Social and Governance (ESG) goals. The lack of transparency surrounding the mechanics of levy funding affects how effectively organisations use funds, illustrated by the misconceptions in the quote below.

"Every month I keep saying to colleagues that every month £17,000 a month goes out of our levy account just into general taxation… Actually, we've got this pot of money here which can actually help upskill existing employees or help new people enter the workforce."

Levy-paying employer via interview

THE GAP BETWEEN INFORMATION AND IMPLEMENTATION

Without support, increased levels of apprenticeship knowledge and awareness amongst employers do not translate into take-up, and not all those interested in taking on apprentices do so.

Employers must feel able to trust the guidance they receive, in order to feel confident understanding what is right for them and to embrace the uncertainty and risk inherent in doing something new. Instead, they struggle to find the unbiased help they need.

Complexity within the apprenticeship system means that many small and medium sized businesses lack the time, resources and expertise to navigate its processes. Identifying the most appropriate apprenticeship standard and navigating a fragmented landscape of training providers is complicated and time-consuming. One interviewee described the landscape as feeling like "a wild west", leaving many feeling they are being 'sold to' or are being offered courses that are not going to deliver the high-quality learning outcomes that they need.

EMPLOYERS' LACK OF TIME AND RESOURCES

For smaller organisations, the costs and perceived risks associated with apprenticeships remain a barrier to take-up, despite evidence as to the eventual return on that investment (The St Martin's Group, 2021)**.** The 5 per cent co-investment cost is prohibitive in some circumstances[2] – a barrier if there is no knowledge of levy transfer, or if this is not available – while other employers cite the cost of covering the 'non-productive' time an apprentice spends on 'off-the-job' training. With recruitment and retention challenges growing, and in sectors with high mobility of staff between organisations, many employers also view an investment in staff's skills as too risky.

"You're freeing up budget for someone that you've only worked with for six weeks, so it is a little bit of a challenge."

SME via interview, referring to an apprentice recruited via an employability programme

[2] The London Progression Collaboration report that the 5 per cent co-investment cost presents a barrier to smaller businesses in sectors where apprenticeships fall into higher funding bands such as digital and construction, and to those under the most extreme funding pressures such as early-years. While doesn't necessarily prevent businesses from offering any apprenticeships, it does affect the number they are able to offer to both new and existing staff.

The time required to navigate the online systems through which apprenticeships are managed – primarily the gov.uk Apprenticeship Service portal, alongside any platforms used by individual training providers – exceeds the time available in most smaller businesses. The requirement for all apprenticeships, including those in non-levy-paying SMEs, to be managed via the Apprenticeship Service was introduced in 2020, compounding other barriers for small businesses associated with the 2017 reforms. Users do not find the Apprenticeship Service straightforward to navigate, with processes not making intuitive sense and adding unnecessary complexity. Smaller businesses report needing to learn technical jargon to navigate the system, while a lack of technical literacy hinders some employers' ability to engage successfully.

"With the DAS and the ILR... there's a lot more work involved, so naturally, for a small employer, they literally don't have a lot of time and we've got precious time with them to get the commitment and then we have to just take over the whole process."

Apprenticeship training provider via interview

Many smaller businesses also fear that their capacity to adequately support an apprentice is inadequate, whether in terms of time, line-management skills, wider pastoral or life-skills support, or the ability to capture the knowledge, skills and behaviours required by the apprenticeship. This is, in some senses, reassuring in terms of the degree to which employers take their responsibilities seriously. Indeed, recent evidence has shown that apprentices in SMEs are *more* satisfied by their experience than those in larger organisations (IFATE 2022). However, without additional support this fear is clearly a barrier to many SMEs.

Even in large, levy-paying organisations, time and resources are a barrier to some aspects of engagement with apprenticeships, including levy transfer. The dispersed nature of apprenticeship knowledge and social value leadership in businesses result in barriers for decision making, while the time required for administrative processes to ensure activity aligns with both strategic intent and accountability processes can be burdensome.

"The barriers were time and the right people in the organisation understanding all of the components that went with that, understanding the DAS accounts, who has access to the DAS accounts."

Levy-paying employer via interview

For SMEs who need to access levy transfer funding, this often translates into requirements to provide evidence of how their work fits with the strategic priorities of the levy donor organisation, adding a further layer of administration. Small businesses report that the transfer brokering system with in the national Apprenticeship System portal is equally problematic.

"We put in five levy transfer applications and two of them haven't even been responded to. We haven't even been told that we've been rejected. We've just been kind of ignored... I think that the frustrating thing about it is we were lucky... lots of applications get ignored because the companies who are supposedly offering these levy transfers actually haven't got a focus on that as a part of their business."

SME via interview

THE AVAILABILITY OF SUITABLE APPRENTICESHIPS

Business can't always find apprenticeship provision which meets their needs, with both geographic and sector-related gaps.

In some cases, while a suitable apprenticeship standard exists, only a limited number of training providers offer the standard and may not meet an employers' needs, due to location or delivery model. This is especially the case for smaller employers, who simply don't have the purchasing power of larger businesses – a provider is far less likely to be able to provide a niche standard for one apprentice than for a full cohort from a large levy-paying business. While the growth of online and hybrid provision has reduced the geographical aspect of such gaps to some extent, mismatches remain between the local offer and the needs of specific employers.

"There weren't very many places where they could be trained."

SME via interview

In other cases, employers do not feel that the available apprenticeship standards meet their needs. Emerging green occupations are a frequently cited example of this; smaller businesses also want more generalist options to reflect typically broader roles. Where employers have embarked on the creation of new apprenticeship standards to respond to such gaps, there is optimism about the potential of apprenticeships to deliver against their business and sector needs. The time taken to create and launch a new standard remains a barrier with the potential to affect long-term success, however. Apprenticeships cannot therefore immediately respond to and address emerging recruitment and training needs in a rapidly changing context.

IMPLICATIONS

While some of the challenges identified by employers relate to aspects of the apprenticeship system itself, a great many relate to the availability of trusted high-quality information and support. Our drive for improved quality has indeed added complexity to the system. We suggest that this is not inherently a problem or that measures which improve quality should be compromised in pursuit of removing barriers for businesses – but instead that it is increasing complexity without simultaneously providing support which has proved detrimental.

In this context it is important to understand England's existing intermediary landscape, as well as its potential to address the challenges faced by businesses in order to reverse some of the negative trends we have documented.

4.
THE ROLE OF INTERMEDIARIES

In response to the challenges employers experience when engaging with apprenticeships, an organic network of intermediary support has emerged. While the nature of organisations involved, their funding arrangements, and their priorities are varied, they share a common goal to increase apprenticeship creation by providing business support services.

Intermediaries help to overcome the challenges within the system, and address the trends in apprenticeship uptake outlined in chapter 1, by:

- delivering effective, consistent, and impartial support for employers, particularly SMEs
- reducing administrative and bureaucratic burdens
- helping improve recruitment, retention and completion rates
- bringing knowledge of young people and disadvantaged groups into apprenticeship systems
- spreading good practice between different actors in the system, including across traditional boundaries and silos.

It is vital that we develop deeper understanding of intermediaries within the apprenticeships system, in order to more systematically harness their potential to overcome its current market failures.

WHAT IS AN INTERMEDIARY?

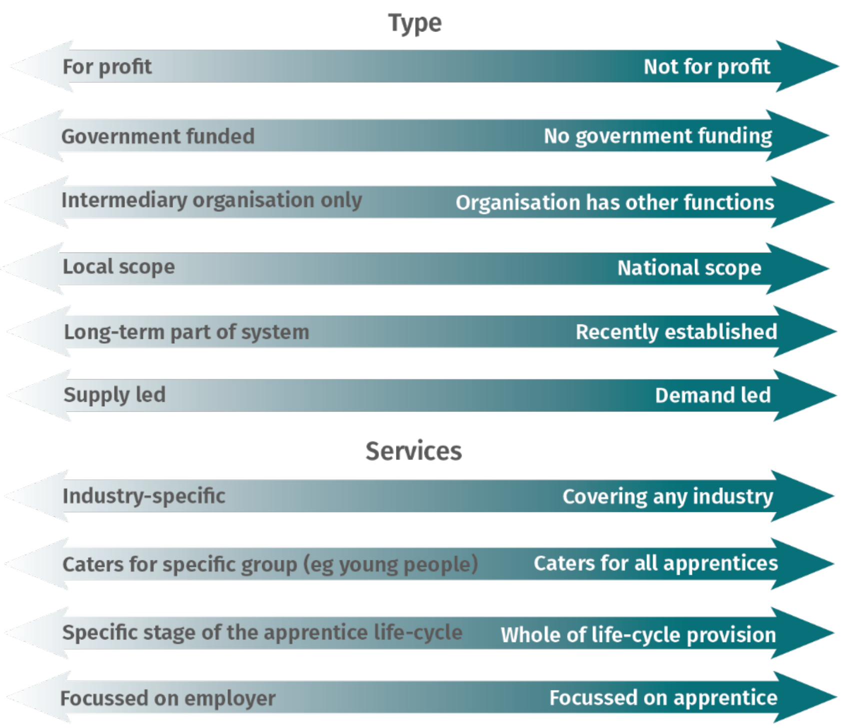
There is no single agreed definition of an intermediary in England or elsewhere, either in the literature or in interviews and workshops conducted for this research. The International Labour Organisation (ILO) provides a helpful working definition: "an individual or an entity, other than the host enterprise or educational institution, which assists in the provision, coordination or support of an apprenticeship" (ILO 2021).

Examples exist in multiple countries, with many different types of organisation being considered an intermediary. Intermediaries can be non-profit or for profit, standalone intermediary services or part of a wider employer support organisation, and many other variations.

There is clearer consensus around the core function of intermediaries: to increase the number of apprenticeships in a particular place or sector. All of the examples identified through the research had a role in increasing numbers, while many played other parts, some statutory or official, and some in response to employer demand.

FIGURE 4.1

Types of intermediary and the services they provide



Source: ILO 2019

The range of different roles and activities performed by intermediaries internationally encompasses:[3]

- promoting apprenticeships to employers
- helping employers navigate apprenticeship systems
- aggregating employer demand to create economies of scale or a critical mass of demand for training
- reducing administration or bureaucracy for employers
- accessing funding and financial incentives for employers
- developing apprenticeships and training programmes
- delivering apprenticeship training
- reducing employer risk
- bringing partners together
- quality assurance of in-work training
- representing or liaising with government and statutory agencies
- supporting apprentices
- social outcomes including diversifying the workforce and improving job quality.

[3] For a fuller explanation of these roles, and examples of intermediaries that deliver them, see the accompanying literature review which can be found at: http://www.ippr.org/publications/join-the-dots-apprenticeship-intermediaries

The activities carried out by intermediaries in England tend to be narrower than many of the international examples, mainly focussing on employer engagement and apprenticeship promotion. Additionally, in some countries for example the US, the variety of organisations that fall under the intermediary banner is wider than in England. In others, such as Germany's chambers of craft and commerce, an organisation might not primarily be an intermediary, but might carry out some intermediary functions.

This variation demonstrates the diversity of approaches to the challenge of apprenticeship promotion with employers. **It also shows, crucially, that despite the enormous variety in how different countries' apprenticeship systems operate, a significant number have deemed it necessary to set up, or at least encourage, some sort of intermediary body.** This is true both of the apprenticeship systems we look up to as exemplars of best-practice, and those who share some of our challenges.

A common feature of apprenticeship systems which necessitates this support is the number of different partners involved in apprenticeships. With occasional exceptions (for example where a large employer delivers all training in-house), an apprenticeship will involve at least three partners: the apprentice, employer, and training provider. In many cases there are additional statutory roles carried out by other agencies, such as end point assessment in England, bringing the total to at least four. Coordination, mediation, and translation between partners therefore constitutes one of intermediaries' most important roles. To some extent the three essential partners in an apprenticeship speak different languages; using different jargon and being driven by different motivations; without an intermediary to act between them, creating and successfully delivering apprenticeships is much harder.

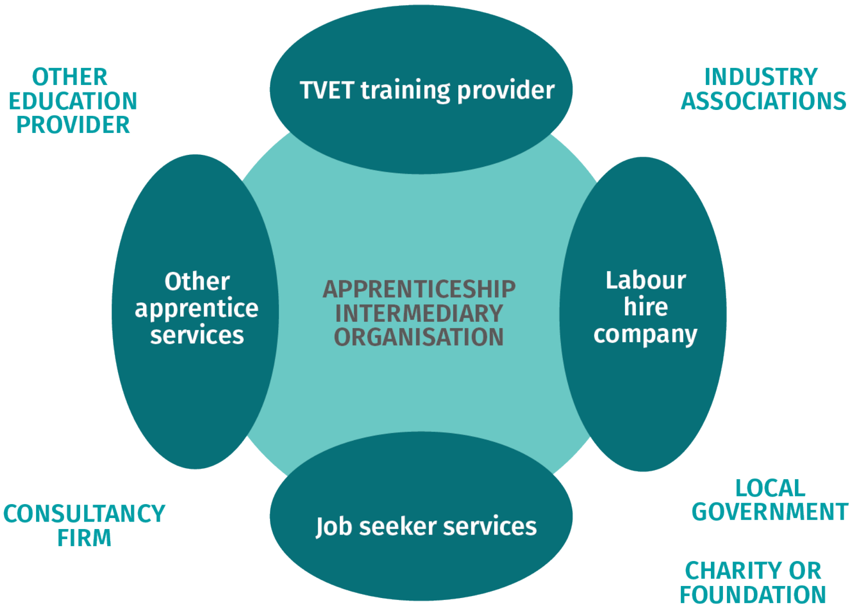
Some of the countries most renowned for the quality of their apprenticeships, such as Germany and Norway, are those with well-developed and extensive intermediary support – albeit their intermediary models are very different. This suggests that the critical factor is the existence of *some kind* of effective intermediary, rather than there being a specific model that is the 'best', as each country's intermediaries must be shaped to fit their overall apprenticeship system.

HOW ARE INTERMEDIARIES FUNDED?

Intermediaries can be set up and funded by a range of different entities, including governments (central and local), industry bodies, groups of employers, training providers, broader employment support organisations, or they can be entirely independent. They are often part of a larger organisation such as a training provider or trade association, although some are standalone organisations (Smith 2021).

FIGURE 4.2

Potential configurations and funders of intermediary organisations



Source: ILO 2019

Apprenticeship Training Agencies (ATAs) in England – who perform some intermediary functions - were instigated by the government in 2012 (ILO 2019). Third party agencies in India appear to be funded by a mixture of employer contributions and some government funding (ILO 2019). In Norway, Training Agencies have a lot of involvement with central and local government, including on distributing funding, which makes them central to a great deal of Norwegian apprenticeship activity (Kukzera 2017; OECD 2018; Michelsen et al 2021).

The London Progression Collaboration (LPC) in England began as a partnership between London's regional government the Greater London Authority, IPPR and JP Morgan; it is now funded by a mix of grant funders (Learning and Work Institute 2021) and traded work. A small number of examples of philanthropic funding also exist in the US (Education Strategy Group 2019).

Intermediaries may or may not receive funding from the state (ILO, 2019), and many have a mixed model of funding, such as Swiss Training Agencies (TAs): they receive some state subsidy when they are first set up, but have to move towards a mix of employer contributions and other funding sources over time (Michelsen et al 2021). In Germany, employers contribute towards the costs of intermediary services provided by chambers of commerce or craft as every registered company has to belong to and pay fees to a chamber (Cedefop 2018).

Much of the US's federal funding for apprenticeships in the 2010s went to states and other intermediaries in order to increase the number of apprenticeships (Congressional Research Service 2019). Some, for example CareerWise, are a partnership between state government, local employers, and philanthropists (Urban Institute 2020). In the mid-2010s a large programme of over $20 million to commission more intermediary support was launched, with a particular focus on new or growth sectors (Rolland 2016).

The sources of intermediaries' funding strongly influence how they are governed and run. Intermediaries with high levels of state funding, such as Norway's training agencies, are more dependent on the state and therefore any changes in the apprenticeship system or policy affects the intermediaries' work directly, and could affect their viability. Intermediaries with significant funding from employers must maintain their relevance to employers in order to remain viable, so must focus on providing a service that employers value highly (Michelsen et al 2021).

In some countries or regions more than one type of intermediary operate alongside each other, either as complementary organisations or in competition. In Illinois (Richard and Foil 2020), both apprenticeship intermediaries and Regional Navigators exist. Intermediaries are broadly classified, and include industry associations, unions, chambers, community organisations and education institutions; 162 were identified in Illinois. Alongside these, 11 Navigators, funded by federal funds, take a sales-focussed approach, building awareness about apprenticeships with employers and being their key point of contact.

ENGLAND'S INTERMEDIARY LANDSCAPE[4]

Intermediaries in England emerge primarily from the local or regional public sector, or industry or sectoral bodies. Most English intermediaries carry out a relatively narrow range of activities compared to international examples: they mainly focus on encouraging and supporting employers to create more apprenticeships through providing information and practical support to navigate the system, and to manage the apprenticeship levy which was introduced in 2017.

The development of English intermediaries has not been a centrally planned or funded process, but a more organic response to employer needs and changing policy, where local or regional government, or industry bodies, have recognised the need for some kind of intermediary support. While this organic growth can be seen to have beneficial roots in employer needs and local economies, it does mean that there are both geographic and sectoral gaps in coverage, as well as a lack of consistency. Some employers lack any dedicated intermediary support, and there are no current plans to provide comprehensive access to intermediaries across the country.

The nature of English intermediary development reflects a patchwork of available funding, which is made up of: devolved skills funding, time-limited government or other grants, employer contributions and philanthropic funding. This proves challenging for intermediaries to manage, and can make their long-term sustainability uncertain, which in turn endangers one of the features of successful intermediaries: long-term employer relationships.

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[4] Literature and evidence directly related to English apprenticeship intermediaries is limited, with the majority being part of wider research into skills devolution and skills policy. What is available is summarised in this section, with more detail available in the accompanying literature review which can be found at: http://www.ippr.org/publications/join-the-dots-apprenticeship-intermediaries

The lack of a uniform national level of intermediary support risks exacerbating existing inequalities, with the most capacity-rich areas and sectors most likely to be able to resource additional support. It also poses challenges for increasing employer awareness of what is available to them: each intermediary must simply promote their own services, with no coordination available at a national level.

Public sector intermediaries

Pre-dating the 2017 apprenticeship reforms, intermediary examples driven by the public sector include city deals in 2012 and 2013/14, which devolved both funding and powers to some city regions, including investment to set up apprenticeship hubs (Centre for Cities 2015). Greater Manchester gained funds to set up a central apprenticeship hub in 2012 (Ibid), which aimed to stimulate employer demand through marketing and communications, civic leadership from the public sector, and through growing employers' capacity (OECD 2017). Leeds set up eight smaller apprenticeship hubs based around the city region, managed by local authorities or colleges, and two Apprenticeship Training Agencies (ATAs). Their focus was on SMEs who were interested in apprenticeships but didn't know how to get started, and were seeking independent advice (Ibid).

Greater Manchester still has an apprenticeship hub, seemingly an evolution of the city deal version, now delivered by learning providers and the Chamber of Commerce[5] and sitting alongside a levy sharing scheme. Leeds City Council continues to run an apprenticeships hub,[6] although this now appears focussed on learners and young people rather than employers, and Leeds City Region Enterprise Partnership now provides employer support and levy transfer advice through its business support function.[7]

Further developments in the intermediary landscape directly reflect challenges facing employers following the 2017 reforms.

For example, as described in chapter one, managing the online Apprenticeship Service, deciding what to spend levy funds on, and negotiating levy transfers have all become common challenges for employers, both large and small. A number of city or regional public sector bodies have launched levy management and transfer support, including Leeds City Region and the West Midlands,[8] and some individual councils run their own levy transfer service to pass on their own unspent funds to local businesses.[9]

The LPC, launched in 2020, set out to address levy system challenges as well as another major employer barrier: access to good quality advice and information. The LPC delivers a practical IAG service for employers, alongside a levy transfer brokerage service for London, with the overall aim of generating more apprenticeship opportunities for low-paid workers in London (Learning and Work Institute 2021). While the LPC was part-funded

[5] See: http://theapprenticeshiphub.co.England/
[6] See: https://employmentskillsleeds.co.England/apprenticeshiphub
[7] See: https://www.the-lep.com/business-support/skills-and-training/apprenticeship-support/
[8] See: https://www.wmca.org.England/what-we-do/productivity-skills/the-apprenticeship-levy-fund/
[9] See: https://www.brent.gov.England/business/business-advice-and-support/apprenticeship-levy-transfer-scheme

by the Greater London Authority during its pilot phase, since 2022 it has relied on philanthropic support, subsidised by traded consultancy services.

Industry-led intermediaries

Most employer- or industry-led intermediaries primarily provide information about apprenticeships and encourage employers to create them, rather than proactively supporting them to do so. While this addresses the key employer challenge of access to good quality information about apprenticeships, it does less to help employers actually organise and manage an apprenticeship programme or navigate the apprenticeship levy.

Exceptions to this include the Association of Accounting Technicians, which helps employers to identify the right apprenticeship and find a training provider via a helpline service. Other sector bodies offer grants to their members to support with the costs of taking on an apprentice, including the Manufacturing Technologies Association and Skills for Care. The Co-op has developed a levy transfer intermediary[10] to support employers to make use of their Levy pots through 'matching' with smaller organisations that are looking for financial support, with a particularly focus on creating apprenticeships for under-represented groups.

The other English organisations commonly classed as intermediaries in the literature are Group Training Agencies (GTAs) and ATAs. GTAs are a group of employers that jointly provide training either in cooperation with colleges or directly by themselves. They are mainly focussed on construction and engineering. ATAs act as the apprentice employer, organise their training, and 'lease' them out to other employers, for example when an employer is too small or specialist to be able to host a full apprenticeship. Similar models are found in other countries (ILO 2019).

A new model, flexi-job apprenticeship agencies,[11] is operating in England which resembles the ATA model but is specifically for jobs with short-term contracts or non-standard employment, to allow workers to access an apprenticeship. Flexi-job apprentices can manage their own contracts with multiple employers, or will be able to do this through a flexi-job apprenticeship agency (Education and Skills Funding Agency 2022).

SUCCESSES AND CHALLENGES

While there are few formal evaluations of intermediary support in England or internationally, some key features of successful intermediaries emerge, as do some common challenges.[12]

Features of successful intermediaries

- **Local and sector knowledge** is essential in ensuring that the intermediary is able to understand the needs of businesses and tailor their information and support accordingly. This could come from intermediaries that are grounded in a particular

[10] See: https://www.cooplevyshare.co.England/
[11] See: https://www.gov.uk/government/publications/register-of-flexi-job-apprenticeship-agencies
[12] With little formal evaluation available, these are drawn from descriptions in the literature and from interviews, both with English and international stakeholders. They should be viewed as qualitative characteristics rather than verifiable impacts.

geographic context with deep knowledge of that specific economy and business landscape, and connections to local government and other actors that support business; or those that are based in a particular sector, such as those that emerge from trade bodies.

- **Long-term organisations and a focus on the long-term/bigger picture**: organisations that were embedded in the skills system, local government or business support who had a long-term interest in the development and improvement of employer engagement with the system.
- **Constructive relationships** with others in the apprenticeship ecosystem, such as funders, employers and training providers. These relationships extend beyond sharing information to joining up with and coordinating across other agencies where possible, as well as sharing insights and data about what is working to inform future practice. For many successful intermediaries, employers/ industry leads will also have some form of representation in decision-making structures and priority setting.
- **Offering flexibility and being responsive to employer needs**: this was often defined as supporting employers to better understand their skills and training needs as a business and what the market (and associated support system) could offer, rather than providing what businesses think they need. Essentially, it involves one to one support to understand a business and provide a tailored solution.
- **High standards of activity and organisation**: this included clarity on the offer for businesses, openness and transparency about their motivations for delivering the services (such as wanting to bridge the gap between skills needs and underrepresented groups), clear and tailored communications to their beneficiaries and effective governance and monitoring of their services.
- **Independent**: independence and the ability to provide impartial advice was seen as an essential part of the success of intermediaries, particularly in the English context.

Key challenges for intermediaries

- The **sustainability of funding** for intermediaries affects their ability to deliver support, particularly where short-term funding affects staffing levels. The bureaucracy of drawing down funding, particularly from government sources, also creates additional work for providers which detracts from delivering their services. Furthermore, the nature of some forms of funding, such as payment by results can result in skewed incentives for delivery – for example, to focus on quantity rather than quality. Where intermediaries charge employers for their services, there needs to be a clear justification for the (sometimes high) costs and a tangible impact for the employer.
- **Policy and system challenges**: changes to targets, incentive mechanisms, and overall changes in how apprenticeship systems work can mean intermediaries have to adapt their offers to ensure they are not out of sync with the system, and have to keep employers informed of changes, both of which take time and resources. Changes and gaps in other related parts of skills systems, for example a reduction in the availability of good quality information, advice, and guidance, can have knock-on effects on intermediaries, making their job more difficult. In most cases, intermediaries do not have enough power or leverage to influence wider systems or policy for employers' benefit.

- **Providing a quality, relevant service within the existing context**: confusion can arise for employers if multiple intermediaries exist, or where intermediaries operate alongside national apprenticeship services. There can be challenges meeting local needs and developing specialist knowledge if the scale of demand is greater than the size of the intermediary, and equally it can be difficult to maintain a quality service if an intermediary scales up and sets up in multiple locations. Where intermediaries seek to work at scale - whether in terms of matching levy transfer employers with SMEs, or bringing together employers and learners to generate a large enough cohort for an apprenticeship, intermediaries must be able to generate fruitful employer relationships at scale. Some examples exist of intermediary structures where employer involvement or decision-making is too restricted, making employers less likely to want to engage.

INTERNATIONAL CASE STUDIES

Intermediary organisations are common to a significant number of apprenticeship systems worldwide. Despite the enormous variation in apprenticeship systems, many have deemed it necessary to set up or to encourage intermediary bodies as systems of support. This includes some of the apprenticeship systems held up as exemplars, where intermediary support is an integral part of promoting engagement and maintaining quality.

Here, we examine apprenticeship intermediaries in three countries outside of the UK:[13] Germany, the US and Australia. Germany has a long history of successful apprenticeships and is often held up as an exemplar. The US and Australia were chosen to study because they share some systemic similarities with the English system, as well as facing some similar challenges.

The approach taken to intermediaries in each of the three international case studies reflects their wider skills system, political context and employer culture. The Chambers in Germany are part of their partially decentralised approach to vocational learning and skills, with employers and other social partners taking the lead rather than national government. They also reflect the consistently high levels of responsibility for and investment in skills that rests on German employers. In the US and Australia, national government is more involved in vocational and skills funding, and therefore in funding and shaping intermediary provision. Both have a more diverse intermediary landscape than Germany. Responsibility and funding for skills and apprenticeships rests more with government in these two countries than it does in Germany, as it does in England.

All three countries have intentionally ensured universal provision of intermediary services. There are no geographic or sectoral gaps; any employer of any type in any location can access intermediary support.

Other common features include the fact that intermediaries in each country have at least one statutory role within the apprenticeship system, most commonly the registration of

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[13] Representatives from government, intermediaries, umbrella bodies and international organisations were interviewed, and findings combined with information from the literature review to develop these case studies. More detailed versions can be accessed at: http://www.ippr.org/publications/join-the-dots-apprenticeship-intermediaries

apprenticeships/apprentice contracts, and that the majority of intermediary support providers also perform other business support or employment support roles.

CASE STUDY 1: GERMANY

The main organisations performing apprenticeship intermediary functions in Germany are the chambers of Commerce and Industry and Chambers of Craft. Virtually every business in Germany has to belong to a chamber: businesses such as insurance, retail and finance belong to a commerce and industry chamber, and those such as construction, textiles and food businesses belong to a craft chamber.

There are 79 Chambers of Commerce and Industry and 53 Chambers of Craft, organised regionally. Fees for chamber membership vary according to the size of the business. Because of the universal requirement to be a chamber member, the availability of intermediary support is universal, with no geographic gaps. Within each chamber will be specific knowledge and expertise of relevant local sectors; there are no sector-specific chambers.

Chambers encourage companies to create apprenticeship programmes, and many will receive support from their chamber, although this is more common for SMEs than large employers, as many of the latter will have an in-house team to manage their programmes. As well as this information and guidance, chambers are also tasked with some official roles in the apprenticeship process, so they are the natural first port of call for employers.

Chambers' roles in assessing in-company training, registering training contracts and administering exams are their legal responsibility. These roles are necessary to the functioning of the national apprenticeship system, rather than specifically for the benefit of chamber members. Every employer providing an apprenticeship must have at least one member of staff qualified through chamber-provided training to ensure a high standard of in-work learning. Chambers have the right to ban poor performing employers from hosting apprentices.

Chambers are by design independent from local or federal government; they are part of the long-standing 'social partners' model which includes unions and employer organisations, and is intentionally set up to allow the state to take a step back and for employers to take the lead on vocational learning and training. No one type of organisation has overall control of the vocational system, instead it is a consensus-based model, with the social partners negotiating and coming to jointly-agreed decisions.

Chambers do not receive any federal government funding for their core apprenticeship intermediary activity; they are funded by the membership fees that businesses pay. General advice and information about apprenticeships is funded by membership fees, which are on a sliding scale according to the size of the business. The statutory elements of apprenticeships that Chambers have a legal responsibility for, such as registering apprenticeship contracts, attract an additional fee which employers pay directly to the chamber.

Compulsory employer membership and the associated fees ensure that chambers exist nationwide, and that every employer has access to the apprenticeship support and services they offer. This means that employers have an obvious place to turn to for advice on apprenticeships, and also helps to underpin a consistent offer.

The direct accountability created by the membership model is seen to be very effective, with direct lines of communication between chambers and their members, and clarity around who is responsible for what within the VET system. One chamber representative reported that they prefer not to receive any federal funding, as their member-funded model allows them to be truly member-orientated. Tensions can arise from chambers' role in both supporting employers and policing the quality of in-company training, but chambers' responsibility to all of their members to uphold VET standards is fundamental to their approach.

CASE STUDY 2: US

Apprenticeship intermediaries in the US exist to supplement federal and state efforts to engage employers with apprenticeships, create new apprenticeship programmes, increase overall numbers of apprentices, and diversify those taking up an apprenticeship. They support both employers and learners, and can offer sector expertise that federal staff cannot. Apprenticeships have to be registered at either state or federal level, and federally-funded intermediaries are the official body performing federal registration.

Intermediaries are seen as a way to support employers to engage with and navigate apprenticeships, and translate information about apprenticeships into action. SMEs in particular rarely have the internal capacity to create and manage their own apprenticeship programme.

There is no official definition of an intermediary in the US: they can be industry organisations, community-based organisations, trades unions and training organisations. Many have a range of employer-facing activity, not limited to apprenticeship intermediary work. Some intermediaries start quite organically, for example where a community organisation notices a local gap in apprenticeship provision or support and sets something up to help their community. Others may be more industry-driven, for example where a large industry organisation wants to address workforce needs in their sector.

The intermediary interviewed for this research is a specialist sectoral body, working in a variety of ways to grow the talent pipeline in their industry which has historically not used apprenticeships as a recruitment or training tool. They work with academics, job seekers and employers in their sector to break down roles into specific requirements, and to help jobseekers understand where their existing skills might align with the sector's needs.

Through blending subject matter and apprenticeship expertise, they have developed programmes with employers to bring more new workers into the sector and then to progress. Intermediaries also connect employers to funding, proactively looking for ways to help employers with their costs, for example finding funds to pay for an apprenticeship coordinator within a business.

The Department of Labor (DOL) has been funding intermediary activity since 2016 through a series of competitive contracts, with investment rising every year since. Much DOL funded activity has focussed on expanding apprenticeships into new sectors and creating new apprenticeship programmes. Through DOL funded intermediaries, employers across the country have access to free-of-charge intermediary support in some shape or form. DOL also has policy priorities around expanding youth apprenticeships, diversifying the apprenticeship recruitment pool, and improving the quality of apprenticeship jobs: these priorities are passported to intermediaries through contractual requirements.

DOL is not fully wedded to a contractual rather than grant approach to funding, and their contractual requirements and outcome measures are continually evolving. For sectors new to apprenticeships, contracts are more challenging to deliver, due to the amount of relationship- and capacity-building that is needed before an employer is ready to hire apprentices. Relatively short contracts (24 months) make it challenging for intermediaries to develop and maintain relationships with employers.

As well as DOL intermediary funding, there are also sizeable grants for states to expand apprenticeships as well: in 2019 there were grants totalling $73 million to states. Tensions can arise between DOL-funded intermediaries, states, and non-DOL funded intermediaries, over ‘poaching’ apprenticeships and taking credit for each others’ work.

A formal evaluation has found DOL investment in intermediaries to have led to successful outcomes, with the majority exceeding their apprenticeship creation targets and goals to support new apprenticeship programmes. While this evaluation demonstrates that federal investment has led to apprenticeship growth in new industries and populations, it is important to note that federal investment is much smaller than industry-led investment in apprenticeships.

One unexpected benefit of intermediaries’ work is a ‘spillover’ effect: when intermediaries work with large employers, other employers in their supply chain and/ or local area can see the benefits of apprenticeships and want to get involved in apprenticeships themselves.

CASE STUDY 3: AUSTRALIA

Apprenticeship intermediaries are supported and funded by the Australian federal government as a mechanism to reach employers and locations across the country that the government is not able to on its own. They fill a gap in terms of providing guidance and information to potential apprentices, and boosting demand and capacity for apprenticeships beyond what might happen organically without any proactive support.

The Australian Apprenticeship Support Network (AASN) is the ‘first port of call’ for employers and learners interested in apprenticeships. The Network is made up of seven provider organisations which cover the whole country. All apprenticeships have to be registered through an AASN provider, the majority of which are non-profit. All AASN services are free to employers and learners.

In some regions, such as the sparsely populated Northern Territory, just one AASN provider operates. In states with much higher populations and numbers of apprenticeships, several AASN providers operate, creating a competitive market and giving employers a choice about which provider they work with. In the main, AASN providers are not sector-specific, but work with any employer on their patch.

AASN providers deliver services under two main headings: gateway services and universal services; both have a strong learner focus. Gateway services take place pre-apprenticeship: the AASN provider will screen candidates and potentially test their existing skills, offer them advice, and try to make the best match between candidates and employers. Universal services incorporates all the administrative, promotional, contractual and payment services that actually make the apprenticeship system work. AASN providers also offer in-training support, provided to around 12 per cent of apprentices to support them during their apprenticeship and minimise the chances of them dropping out. Apprentices considered at highest risk of non-completion are then allocated a mentor who can support them throughout their apprenticeship.

The other type of intermediary in Australia is a Group Training Organisation (GTO), which represent around 8 per cent of the apprenticeship market. Like ATAs in England, they act as apprentice employers, 'loaning' the apprentices out to host employers. Using a GTO reduces the administration and management burden and risk for an employer who wants to host an apprentice, but does not have the capacity to do so, or cannot provide the full learning and training experience an apprentice needs.

AASN providers receive grant funding from federal government to provide their services. The overall scale of funding is driven by demand: if demand for apprenticeships was to rise, the amount of funding in the AASN programme would rise. AASN contracts last for five years. A proportion of the grant is paid upfront, with the rest being drawn down over the life of the contract. AASN providers have KPIs to meet as part of their grant conditions, for example to make regular contact with their apprentices throughout their apprenticeship, designed to ensure all employers receive a consistent level of service. AASN funding is being reviewed to consider how it can incentivise not just apprenticeship starts but also completions.

Federal (national) government funding is also available as an employer incentive to take on an apprentice or a trainee in target sectors. This has been as high as 50 per cent of the apprentice wage, but is now around 10 per cent. Federal government is focussed on using wage subsidies to address particular labour market challenges, with a specific focus on particular groups or industries.

Intermediaries, both AASN providers and GTOs, may be funded by a range of different government funding streams as well as state funding. This leads to a complex funding model, in which they may have to manage different contractual requirements, compliance regimes and reporting processes. This fragmented system also appears vulnerable to policy change.

5.

RECOMMENDATIONS

Apprenticeships have the potential to make a transformative difference to the lives of learners and to the skills and productivity of businesses across England. This potential is not currently being realised, with the fall in apprenticeships offered by SMEs since 2017 a significant contributory factor. In this context, an organic network of intermediary support has grown up in England, reflecting the central role this support plays in other apprenticeship systems across the world – both those we look to as exemplars of success, and those which share some of our challenges.

With a significant role to play in helping overcome the current challenges within the apprenticeship system, intermediaries should become an integral part of the policy solution to ensure all SMEs are able to access high-quality support. This will better enable apprenticeships to drive the skills improvements needed, as part of the wider skills offer, to address regional inequalities and improve business productivity in the sectors which matter most for communities.

Recommendation 1: Every SME should be guaranteed access to high-quality intermediary support via a comprehensive national network of intermediaries.

The current apprenticeship system is not effective enough at creating new apprenticeship opportunities in line with the skills needs of the economy, nor opportunities that prioritise young and disadvantaged learners. This is especially pronounced because SMEs, who are most likely to create accessible opportunities for young people and for disadvantaged and marginalised groups within their communities, face barriers to doing so.

Businesses need support to understand what apprenticeships are and how they can respond to their business needs, and then how to support learners in their development of skills and competencies in the workplace. They value support in finding and engaging partners within the apprenticeships landscape, in terms of both training provision and funding provision. Likewise, SMEs often need support to get over the hurdle of turning knowledge into action.

A comprehensive national network of high-quality intermediary support will be a powerful vehicle to address these challenges.

Recommended areas of activity for English intermediaries

- Proving accurate, impartial information on apprenticeships, including the availability of and process for securing funding, information on learning providers, and finding the right standard and level for the role.
- Ensuring that employers understand what investing in apprenticeships can offer their organisation.
- Complementing and signposting businesses to other support services and skills provision, whether from local/ sub-regional authorities or learning providers
- Being the 'place to go' for one-to-one support with levy transfers for both SMEs and levy payers.
- Offering support to navigate relationships between SMEs and levy payers, including managing expectations of what can be achieved through levy transfer.
- Capturing insight into the different needs of SMEs and advocating on their behalf to other stakeholders.
- Building apprenticeship quality through improved set up and readiness processes, and providing ongoing support where required.

Recommendation 2: The UK government should establish Apprenticeships Support England, an umbrella body operating at arm's length from government, to ensure quality, consistency and economies of scale.

Actors in England have developed solutions that respond to needs in regional economies and specific sectors, and to the needs of specific demographic groups. In some areas this is closely aligned with other support for businesses or broader engagement with the skills sector. This variety and responsiveness appears to be effective, and is supported by a wide alliance of stakeholders.

However, as a result of its organic development, there are gaps in the provision of practical support services, notably outside of city regions and some sectors. The intentional development of universal intermediary support should, to be most effective in meeting needs and addressing challenges, build on England's mixed economy of intermediary support to fill these gaps.

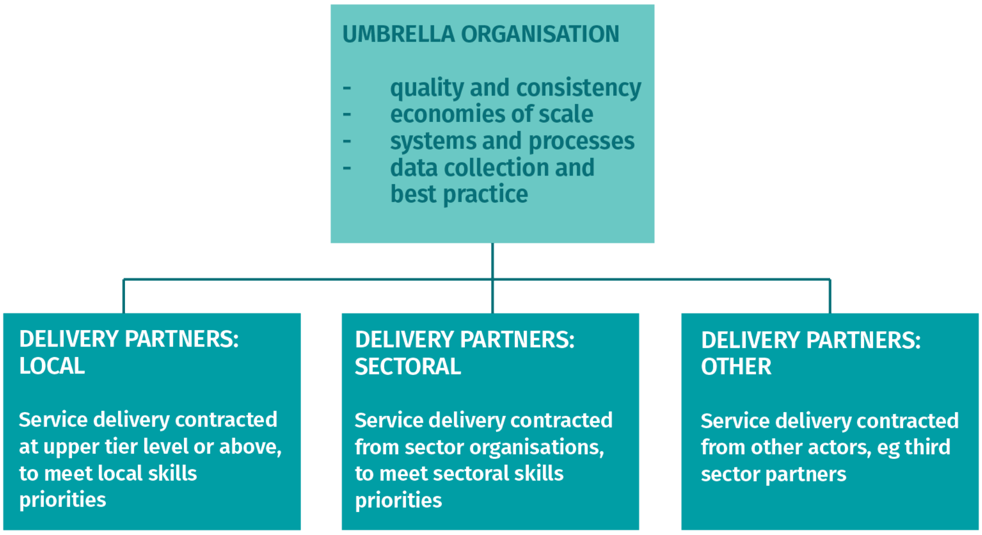
This should be underpinned by a deeper understanding of geographies and sectors with lower levels of apprenticeship creation and SME engagement, alongside more extensive mapping of existing intermediary provision. Models should be identified and developed that are appropriate for the location or sector involved.

To maximise the potential of this mixed economy while ensuring quality, consistency, and economies of scale, we recommend an umbrella organisation is created, operating at arm's length from government. This organisation will also be tasked with ensuring universal coverage via its network of service delivery partners, working closely with other bodies including regional and local government, IFATE route panels etc.

This work could also surface other areas in which intermediaries could be part of the solution, for example as in the USA where intermediaries take an active role in sectors new to apprenticeships, analysing their skills needs and working with them throughout the process of creating brand new apprenticeship standards and then vacancies.

FIGURE 5.1

Recommended structure for national intermediary network



Source: IPPR

Recommendation 3: The UK government should redirect funding from levy top-ups to provide core funding to Apprenticeships Support England and provide seed funding to support the development of apprenticeship intermediaries where gaps exist.

The government currently tops up levy-payers' accounts by 10 per cent, amounting to £250 million per year.[14] With apprenticeships within levy-paying business disproportionately benefiting older and more highly-qualified workers, it is unclear what benefit these public funds are delivering. We suggest that redirecting a small proportion of these funds to establishing the recommended infrastructure, supporting intermediaries and filling gaps in provision could generate at least a 10 per cent increase in SME apprenticeships.

It is clear that the employer-led apprenticeship system is not able to ensure that apprenticeship creation benefits the businesses and demographic groups who are otherwise losing out.

Government must therefore play a role in ensuring that the intermediary landscape continues to evolve and strengthen, driving its intentional development to fill gaps in provision and to meet policy objectives. This role should encompass both short-medium term seed funding and a longer-term commitment to facilitate and support intermediaries' sustainability and impact.

Existing intermediaries have been set up using a combination of public funding, notably ESF, and philanthropic support. This is all short term, and some of it is coming to an end,

[14] Figures obtained through freedom of information request, reference 2023-0005948. The value of the government's 10 per cent top up of levy-payers' accounts was £250 million for the financial year April 2021 to March 2022.

with a lack of clarity around how alternatives to the European Social Fund (ESF) will be used to fund ongoing provision. There is interest across stakeholders in exploring different approaches to sustainability within funding models, but the sector will need support to transition from in some cases wholly public funding to a mixed model, possibly incorporating finance from employers.

Government should provide seed funding to support existing intermediaries and stimulate new provision to fill geographic and sectoral gaps. This short-medium term funding will help intermediaries to address the immediate challenge of market failure, working with employers, particularly SMEs, to boost apprenticeship numbers while also focussing on matching employers with the right apprenticeship for them, not simply racing to meet quantitative targets. During this period, intermediaries will be able to build more substantial evidence of their impact and a business case for other sources of funding such as employer contributions.

In the medium term, there could also be an expansion of intermediaries' activities to focus on more strategic work with employers and sectors to build talent pipelines; to explore what more intermediaries can do to support quality apprenticeships, for example helping employers to improve their in-work offer for their apprentices; and to more forward planning to anticipate future needs and gaps.

As well as seed funding, government should commit to cultivating the conditions to allow intermediaries to function on a more secure footing, creating a long-term, consistent intermediary infrastructure. Government should be a facilitator, guiding and listening to what is needed, helping intermediaries to meet the wider skills needs of the economy, ensuring that strategic links and partnerships are in place, and that intermediaries are embedded in the wider skills system.

Recommendation 4: The UK government should commit to formal evaluation to underpin future investment and support for apprenticeship intermediaries to build a robust evidence base on 'what works'.

Independent external evaluation, commissioned by government, should sit alongside any investment, to overcome the limited evidence (in England and internationally) as to what works and why. Given the strong links between apprenticeships and skills, addressing regional inequalities, and supporting business productivity, we suggest that this evaluation may best be undertaken by or in close partnership with the What Works Centre for Local Economic Growth.

There is significant appetite across stakeholder groups to learn from 'what works' in delivering intermediary support, at what scale it is most successful etc. Indeed, a self-organising network of apprenticeship hub organisations has developed to facilitate learning between intermediaries. However, the current evidence base is not substantial enough to enable actors, including policy makers, to answer these questions robustly.

Evaluation activity should provide a comparative element to identify the best ways to deliver intermediary provision in the English context, and also summative, to put together and understand collective impact.

While this study is focussed specifically on apprenticeships, we believe its findings and recommendations have potential relevance across the wider skills offer. Although apprenticeships have a unique set of features, the challenges employers face navigating the system without high-quality support are magnified in the context of a complex and frequently changing range of wider skills programmes. Newer T levels and skills bootcamps sit alongside older FE routes, with elements of regional devolution as well as short-lived initiatives such as kickstart.

If we want to maximise the potential of apprenticeships and the wider skills offer, without making compromises between complexity and quality, ensuring a universal support offer for SMEs – as we see in other apprenticeship systems internationally – is essential.

6.

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