



The business of apprenticeships in Wales

The case for a more responsive Welsh apprenticeship system

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Introduction

With a return on investment of up to £18 for every £1 spent, training and apprenticeships are evidently value for money. Apprenticeship policy is devolved to the Welsh Government and administered by Medr since August 2024. This document outlines the business case for a refreshed apprenticeship system in Wales at a time of significant change to how apprenticeships are administered in Wales and what the new Growth and Skills offer will mean for employers in England.

We agree with the Welsh Government's principles of employer-led pathways, and a focus on emerging skills like sustainability and digital. After a consultation with CBI firms from all parts of Wales, this briefing provides employer views on how the Welsh apprenticeship system could be improved. While England considers a Growth and Skills offer, the Welsh Government's 2025-2026 Budget prioritises key apprenticeship types but reduces overall apprenticeship places. As Medr takes over the administration of apprenticeships, there is a window of opportunity to reflect and ensure the resources are there to meet the needs of the economy and the delivery system is as effective and inclusive as possible.

One apprenticeship levy but four apprenticeship systems create a complex picture

The Welsh apprenticeship system is independent to the Growth and Skills offer being developed by the UK government for England. It is important to remember that only the levy element of the apprenticeship levy is UK-wide. All policies related to apprenticeships in Wales, Scotland and Northern Ireland are devolved to their respective governments. As a result, the Growth and Skills offer reforms will not apply to Wales unless the Welsh Government decides to adopt these reforms.

With the creation of Medr in August 2024, the Welsh Government transferred comprehensive responsibility for funding, oversight, and regulation of the entire tertiary education sector—including apprenticeships—to Medr. Similar to Skills England, Medr are yet to finalise its preferred ways of working, so it is important that Medr understands the needs and preferences of employers from all parts of Wales.

Levy funds controlled by the Welsh Government limits employer voice

In addition, the apprenticeship models in the nations differ in several important ways. In Wales, the Welsh Government offer a centrally distributed apprenticeship fund, with priorities determined by government, and accessed by employers via providers. This contrasts with England's approach where an employer gets their own apprenticeship fund. As reforms take place to England's Growth and Skills offer, it is imperative that businesses voice their opinions on the current Welsh apprenticeship system to ensure any positive changes brought forward by the Growth and Skills offer are considered by Welsh Government to ensure employers are offered reforms that deliver the same improvements.

After consulting with a wide range of employers, this briefing provides the opinions of employers in Wales on how the Welsh apprenticeship system might be improved.

The briefing highlights several opportunities to strengthen the apprenticeship system in Wales. These include expanding STEM and higher apprenticeships, addressing sector-specific skills shortages, and increasing flexibility in the levy system to support reskilling and upskilling. We advocate for an apprenticeship system that allows for more flexible, shorter courses, a system that is responsive to rapid changes to the labour market (such as AI), and aligned with business needs to boost innovation, productivity, and long-term career progression for apprentices.

Key findings

- Greater certainty over Wales' apprenticeship funding could lead to more opportunities
- Flexibility for employers will boost apprenticeship numbers
- Greater consistency across the nations will reduce complexity
- Transparency over government spending would boost confidence in the levy system
- Modernised and more flexible frameworks would increase business participation
- More choice in apprenticeships is needed to respond to fast changing needs
- More approved training providers and sector-specific programmes
- More sector-specific apprenticeship frameworks would remove training gaps
- Respect rights and responsibilities at Work

Context

According to the Employer Skills Survey (ESS) Welsh employers trained approximately 788,100 staff in 2021. However, there is a long way to go. The number of apprenticeship starts in Q3 2023/24 was 4,565, compared with 5,335 in Q3 2022/23. With the overall workforce size remaining relatively stable since 2019, the ESS estimated that this training activity represented 63% of the workforce. While this reflects a strong commitment to staff development, there remains a clear need for more training and a shift towards more agile, future-focused apprenticeship initiatives. In 2022, there were around 20,600 Skills Shortage Vacancies (SSV) in Wales. This is more than double the volume of 2019 (9,800). Overall, only 17% of Welsh employers offer apprenticeships. As the Celtic Freeport Local Legacy Fund and Tata's Employment and Skills Fund commence, these initiatives present an opportunity to learn lessons from the last 8 years and ensure the training provided meets the needs of apprentices and employers.

Challenges

The Welsh Government is operating in a challenging financial climate, and we would encourage the government to see the numerous benefits of training to individuals, firms and attracting the companies of tomorrow. Investing in training delivers a strong return on investment. A report by the National Audit Office has demonstrated that for every £1 invested in apprenticeships, the economy can expect up to £18 return. If apprenticeship and training funding is revised, early dialogue with employers and providers will maximise the number of learning opportunities in Wales.

Business, employees and government are united as all wanting a training and apprenticeship system that delivers for the individual, employer and economy. It is clear CBI Wales members believe any apprenticeship training scheme must be flexible, modular, inclusive, and aligned with the current and future needs of the Welsh economy. This approach would enable employers to provide small numbers of training for niche needs, at a lower cost to government, and all the focus would not be on a general apprenticeship but on meeting the specific needs of the economy.

It's important to remember that although the move to a Growth and Skills offer is being developed for England, only the levy element is UK-wide. Since apprenticeship policy is devolved to each nation, the Welsh Government and Medr should evaluate relevant improvements introduced in England to determine their suitability for Wales. The Welsh approach, where funding allocation is routed by the government to the provider, means it is more important to ensure there are apprenticeships at all levels for all ages.

The business case for apprenticeships is self-evident

Solid Return on Investment (ROI): A report by the National Audit Office has demonstrated that for every £1 invested in apprenticeships, the government can expect up to £18 in returns through increased earnings and higher productivity, which translates into greater tax revenues. Additionally, every pound spent on apprenticeships returns up to five pounds to the Exchequer.

Cost-Effective Workforce Development: Apprenticeships offer businesses an affordable way to develop talent, mould apprentices to fit specific roles, and reduce recruitment costs while improving workforce productivity.

Agile, cost-effective provider network: Colleges and private providers in Wales are well-positioned to address industry-specific skill shortages by creating specialised training aligned with specific sector needs. For example, providers are already tailoring programmes in areas like green energy, advanced manufacturing and AI, providers can support the apprenticeship system's goals of innovation and economic productivity, while also supporting long-term career success for apprentices and employers by providing more flexible, modular courses.

GSR Evaluation of Welsh Government Apprenticeships programme 2015-2019

A strong record

- Most employers (86%) in Wales felt it was likely they would continue to provide apprenticeships in the future, with nearly two-thirds (64%) stating it was likely they would increase the number of apprenticeships they provide.

Opportunities

- **STEM apprenticeships:** The Welsh Government is aiming to increase STEM apprenticeships, but uptake has remained static. There may be opportunities for employers in STEM fields to engage more with apprenticeships.
- **Higher and degree apprenticeships:** Take-up of higher apprenticeships has increased. The Welsh Government should support level 3 and above to ensure there are apprenticeships at all levels for all ages and therefore, allowing employers to expand their offering of higher and degree-level apprenticeships.

Small improvements to the Welsh apprenticeship system could make a big difference to the economy

In 2017 the UK Government introduced the apprenticeship levy, which is a UK-wide tax. In Wales, the funds raised from the levy on certain employers was given to the Welsh Government which chose a more centralised system and used the funding via a mainly supply driven model, as opposed to England’s broadly demand-drive approach. After 8 years, opportunities to improve the administration of the UK-wide levy and the Welsh apprenticeship model have naturally occurred. Here are some key observations from CBI Wales members reflecting on their real-life experience of navigating the apprenticeship landscape in Wales and across the UK.

Greater certainty over funding could lead to more opportunities

If funding for apprenticeships is uncertain this impacts employers’ ability to plan and make long-term investment decisions. At the moment, the Welsh Government determines the allocation of funding for apprenticeships on an annual basis, while providers often have more certainty, the funding uncertainty does impact the range and quantity of government supported apprenticeships that local providers can offer.

Employers value certainty above all else. Transparency from the government on long-term funding will allow firms to plan effectively and make alternative arrangements if necessary, ensuring continuity in their apprenticeship programmes. While employers in Wales understand the Welsh model of delivering the apprenticeships employers need, they remain aware of their contribution to the levy. If they receive less training than their levy contribution, some believe the Welsh apprenticeship system needs reform to correct this.

More apprenticeship flexibility will boost training opportunities

A consistent theme during our consultation with firms was the need to “get back what was put in”. Consultation responses from four large employers, collectively employing over 10,000 people, have all called for more flexibility in the frameworks on offer to ensure they can fully meet their training needs. Apprenticeships are seen as the default option, and they struggle to work with government on meeting their wider training needs.

Greater consistency across the nations will reduce complexity

Due to the different funding regimes and governing bodies, it is difficult for businesses to find consistent apprenticeship frameworks/standards across England and Wales - a consistent set of standards/frameworks would be beneficial for UK wide businesses and their apprentices. This would minimise administrative differences for companies with premises across the UK, while allowing for nation-specific policy choices.

Transparency over spending would boost confidence in the levy system

Notwithstanding the different funding models in England and Wales, the companies we spoke to emphasised the need for clearer communication on the choices employers face and the turnaround times they can expect. Several business leaders in Wales who pay the levy called for policies allowing employers to track how their levy contributions are used to ensure they receive value for money and training provision is responsive to employer need.

Modernised frameworks would increase participation

The consultation responses from businesses raised concerns about outdated content in some apprenticeship frameworks, highlighting the need for frameworks to be more speedily developed and more easily amended. As an example, one employer recently took on several business administration apprentices, only to find the framework referenced fax machines. Such outdated frameworks weaken confidence in the Welsh apprenticeship system's ability to keep pace with changing employer needs.

Secondly, firms expressed a desire to be involved in the development of shorter apprenticeship programmes and modular courses. The current method of bringing together government, employers and providers at the national level is the Wales Apprenticeship Advisory Board (WAAB). Employers support WAAB but more can be done to increase the voice of the apprentices on WAAB and we encourage the Welsh Government to consider this. In turn, Regional Skills Partnerships could do more to ensure they consistently engage with a representative sample of employers to ensure their advice to ministers is as up to date as possible.

More choice is needed to respond to changing needs

Many industries urgently need skills for sustainability, the green economy and AI but there is a general belief that Wales has limited apprenticeships to offer in these emerging areas. As a result, some businesses pay for traineeships because funded apprenticeship programmes in these emerging areas are limited, employees and employer needs are quite specific. However, with new apprenticeship frameworks taking up to 18 months to develop there is little choice left for the employer. Expanding the range of apprenticeship and traineeship programmes in these emerging areas will enable companies to address their skills shortages more effectively and efficiently.

More sector-specific apprenticeship frameworks would remove training gaps

While most employers do not experience a problem, a lack of sector-specific frameworks make it challenging for businesses to find appropriate training, especially in niche industries like ports, which require specific roles (e.g., Coxswain, Stevedore). This absence of a framework restricts the ability of businesses to develop relevant skills, and frameworks need to evolve to include industries that have been overlooked.

Showcase Wales' leading providers to share best practice

Many of Wales' private and public training providers are examples of best practice across the UK. More should be done to share their best practices with other providers across Wales. Skills Academy Wales (SAW), for example, engaged with 1,640 employers and achieved a 98% satisfaction rate. There are clear lessons to be learned from SAW and other providers.

Main reasons employers do not take on apprentices

The West Wales Regional Skills Partnership's latest Employment and Skills Plan includes the results of a survey of employers, asking them for the main reasons Welsh employers are not taking on apprentices include:

- Issues making the time to mentor/train an apprentice is one of the main reasons employers don't take on apprentices.
- Perceived structural barriers, such as the business not looking to recruit new staff and apprenticeship not being suitable for a business of their size.
- Apprenticeship frameworks not meeting business needs, This was identified as the main reason why respondents to the Regional Skills Partnership survey did not employ apprentices.
- Lack of resource or work available.
- Inability to afford hiring apprentices permanently.
- Some employers feel the apprenticeship framework does not fit their needs.

Characteristics of an enhanced Welsh apprenticeship system

Employers in Wales have highlighted eight essential characteristics for an improved apprenticeship system. They call for an employer-driven system to ensure apprenticeships match industry needs and fill skills gaps. The system must also offer flexibility, adapting to changing economic and sector demands. High quality assurance is crucial to maintain training standards, while collaboration between businesses and education providers should be strengthened. Finally, there must be clear progression pathways, enabling apprentices to advance within their fields and pursue further education or leadership roles, ensuring a sustainable talent pipeline for Welsh industries.

An Employer-Led Apprenticeship System: Employers need the ability to directly influence the content and delivery of apprenticeships, ensuring that the programmes are designed to meet their sector-specific needs and frameworks are turned around quickly. This is crucial for sectors facing rapid technological change, such as digitalisation and automation that maximises the number of apprentices that go on to full employment. We support the recommendations made by a Welsh Government commissioned report, Evaluation of the Degree Apprenticeship Programme, to improve degree apprenticeship.

In addition, to increase the efficiency of Wales' apprenticeship programme, employers have requested a greater voice in the faster development of relevant frameworks. For example, basic maths and English should not be required for the frameworks for all apprenticeships. Finally, to enable a skills system that can more closely meet employer needs, Medr should place a high priority on employer engagement.

Create Sustainable Career Pathways: Wales needs a system that can provide high- quality opportunities for people to develop their talents and progress their careers.

Apprenticeships are designed to be a prestigious path to successful careers, available across all sectors of the economy and at all levels, including degree apprenticeships.

Improve Productivity and Retention through employer-based training: Apprentices who are trained within a company's environment are more likely to align with the firm's values and operations. This leads to better employee retention and enhanced productivity as they are fully integrated into the business from an early stage. More should be done to maximise the benefits of employer-based training.

Respect Rights and Responsibilities at work: Effective apprenticeship systems are responsive to the rights of apprentices at work. This includes fair treatment, safe working conditions, and adherence to labour laws. In addition to being the right thing to do, such responsiveness helps in reducing dropout rates and improving the overall effectiveness of the programme.

Equity and Accessibility: The apprenticeship programme should focus more on improving access to Apprenticeships for under-represented groups. A successful apprenticeship programme must also address the barriers that prevent potential apprentices from enrolling and completing their training. Addressing issues such as travel costs, especially for lower socio-economic groups, could expand opportunities for a more diverse cohort of apprentices. Policies like providing apprentices with travel and subsistence allowances would increase access and participation from underrepresented groups.

SME Incentives: Provide financial support and incentives, especially for small and medium-sized enterprises (SMEs), ensures broader engagement and the creation of more apprenticeship opportunities in supply chains.

Provision of Lifelong Learning Opportunities: Apprenticeships should not only cater to school leavers but also provide avenues for lifelong learning and reskilling. Upskilling through more accessible higher education pathways can support workers throughout their careers, particularly in industries like aerospace, where technological advancements continuously reshape skills requirements. Greater flexibility in accessing apprenticeship funds for adult learners, especially in STEM fields, would be a step toward a more adaptable and resilient workforce.

Evaluation of the Degree Apprenticeship Programme, Welsh Government, 2023

- **Secure Long-Term Funding:** Welsh Government should commit to sustained funding and confirm allocations earlier in the academic year for better planning.
- **Increase Awareness:** A national marketing campaign should raise awareness among SMEs, schools, and potential apprentices, with HEIs maintaining direct employer engagement.
- **Expand Diversity:** Establish metrics to track progress in engaging a diverse range of employers and apprentices.
- **Support for Work-Study Balance:** Clearer guidelines for employer expectations on study time, and monitoring to ensure consistency in workload support.
- **Flexible Deadlines:** Consider extended course durations or flexible deadlines to reduce apprentice workload pressures.
- **Align Courses with Job Roles:** Increase employer involvement in curriculum and assessments to make courses more job relevant.
- **Widen Participation:** HEIs should share strategies for enrolling underrepresented groups through a community of practice.
- **Implement Impact Metrics:** A robust framework should assess a programme's long-term impact and benefits against alternatives such as the Growth and Skills offer in England.

Conclusion

In conclusion, this briefing presents a business case for reforming the Welsh apprenticeship system to better meet the needs of employers in Wales and support the evolving economy, against the backdrop of tight budget settlements.

Key observations made by businesses in Wales indicate that the employers need a more flexible and responsive apprenticeship system. Business leaders report the current system faces challenges, including funding inflexibility, outdated frameworks, and limited cross-border coordination with other UK nations. Employers emphasize the need for a more adaptable, employer-led apprenticeship model that can address sector-specific skills shortages, particularly in STEM, green industries, and digital fields such as AI and data management.

CBI Wales calls for more collaboration with the Welsh Government, employers and providers to introduce system enhancements focused on transparency, flexibility, and modernised training standards. Working with social partners the aim would be to create more inclusive and dynamic apprenticeship frameworks and training options that support both immediate workforce needs and support long-term economic growth opportunities.

Financial constraints limit some changes, but policy adjustments promoting transparency, flexibility, and responsiveness are within the realm of possibility and can deliver meaningful improvements. These adjustments could be pulled together into a new approach, such as a Welsh apprenticeship strategy, that ensures the apprenticeship system can deliver on the full range of pledges in existing Welsh Government strategies.

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