



UNLEASHING POTENTIAL:
**UNLOCKING OPPORTUNITIES FOR
YOUNG APPRENTICES**

ACKNOWLEDGEMENTS

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ABOUT BALTIC APPRENTICESHIPS

Baltic Apprenticeships is a national apprenticeship training provider focused on developing tech and digital skills, offering programmes in IT, Software Development, Data Analysis and Marketing.

Established in 2006, we were the first training provider to offer a completely tech-focused, tech-driven learning solution, and are now the largest privately owned training provider in England.

We received our first Outstanding Ofsted rating in August 2023, and shortly after were the only Tech and Digital provider to be appointed as an Expert Training Provider in a pilot scheme run by the Department of Education. At Baltic Apprenticeships, we are on a mission to accelerate careers through accessible, high-quality education that inspires life-long learning and personal growth.

Baltic Apprenticeships is an independent training provider, independent training providers deliver 63% of all apprenticeships in England.



CONTENTS

Executive summary	04
Key recommendations	05 - 06
Survey results	07
Section 1: Changing apprenticeship demographics	08 - 09
Section 2: Impact on the wider skills system	10 - 14
Section 3: Opportunities for young apprentices	15 - 19
Section 4: Barriers for prospective apprentices	20 - 23
References	24 - 25



EXECUTIVE SUMMARY

In general, apprenticeship starts have fallen in all age categories, but this decline is most steep amongst under 19s. This noticeable change can be attributed to an inverse rise in Higher Apprenticeships (Levels 4 & 5), which are more likely to be undertaken by older individuals, often with prior qualifications. The combination of changing attitudes about the merits of apprenticeships, and a system which no longer incentivises companies to accommodate younger apprentices, has been a prime factor in the decline of under-19 apprenticeship starts. Since the apprenticeship levy was introduced in 2017, under-19 apprenticeship starts have dropped by 41% and SME apprenticeship starts have dropped by 49%.

Skills shortages in the UK are widespread and cause significant challenges to businesses looking to recruit those with the right skills. Not only are skills shortages feeding through to a high number of job vacancies in the economy, but it is also holding back UK productivity more broadly. Had productivity continued on its pre-2008 trajectory, it would be around 26% higher in 2022 than its actual figure. It is therefore vital that the government engages with the underlying causes of skills shortages to sustainably boost economic growth.

Apprenticeships are increasingly relevant to under 19s looking to gain skills and confidence in many fast-growing sectors. The ease of hybrid work and the highly vocational nature of apprenticeships make them an effective way of building on digital skills – not restricted to just one sector, but rather providing young people with a set of cross-sector competencies which are continually in demand from employers. Research has found that many of these apprenticeships provide high and stable monetary compensation, benefit workplace diversity and contribute to high satisfaction levels.

As shown in our recent survey data, there is a widespread view among current and former apprentices that school careers services neither promote apprenticeships nor give individuals a well-rounded view of options available to them following the completion of their GCSEs. This is despite the fact that 80% of respondents agreed with the statement that they feel confident about their future careers having undertaken an apprenticeship. Similarly, 87% of respondents agreed that their apprenticeship had helped develop skills that would aid their future employability. However, the issue is much wider than just career advice. Now, with almost 700 apprenticeship standards covering such diverse sectors, there are unrealistic expectations of careers advisors.

The lack of opportunities in key sectors related to the UK's growth ambitions is a key barrier to wider apprenticeship uptake. The Prime Minister Rishi Sunak has placed the tech sector at the heart of his growth agenda. However, in the last five years, Level 3 Software apprenticeship starts have dropped by 54% and Level 4 starts are also becoming stagnant with over half the providers dropping the standard between 2021-22 and 2022-23. This is particularly concerning as young, entry-level software talent is key to future-proofing the UK's tech industry. It is also the case that the number of providers delivering this apprenticeship standard has halved, from 42 in 2020-21 to just 20 providers in 2022-23.

KEY RECOMMENDATIONS

1. *Protect the spirit of apprenticeships*

There has been a steady decline in engagement with apprenticeships from both SMEs and young people, which is hampering our ability to grow our own skills. Both SMEs and young people are vital to the success of apprenticeships, and it is crucial we protect the spirit of apprenticeships to encourage more accessible, entry-level roles.

To support and encourage SMEs to recruit early talent through apprenticeships, we recommend

- ▶ Introduce a bonus for businesses hiring young people
- ▶ Launch an information campaign highlighting the benefits of hiring young apprentices
- ▶ Establish an employer pledge to be a Young Apprentice Employer
- ▶ Ease administrative burdens for SMEs
- ▶ Dispel myths regarding the perceived risks of hiring young people
- ▶ Ensure that changes to the Levy do not further reduce opportunities for young people starting apprenticeships

2. *Create true parity of esteem for apprenticeships*

For too long, the term 'parity of esteem' has been used, it's time to go further to make true progress. We believe apprenticeships should be promoted in the same way as universities - as a viable route to reach a desired career.

As a minimum, students should know whether their career aim is possible via an apprenticeship and how to secure one, and apprentices should be offered similar incentives as those awarded to university students.

To break down the disparity between education routes, we recommend:

- ▶ Promote apprenticeships to the same extent and frequency as traditional academic routes throughout school
- ▶ Scrap the unfair child benefit rules which punishes parents whose child starts an apprenticeship over college or 6th form study
- ▶ Offer apprentices access to maintenance loans to ensure financial concerns do not prevent uptake for those who need it
- ▶ Encourage collaboration between educational institutions, businesses, and government agencies with a long-term taskforce set up as the foundation

3. *Build in-demand skills that support economic growth*

We must develop the skills that are crucial for key sectors to grow, enhancing global competitiveness and attracting inward investment. Apprenticeships offer low barriers, increase workplace diversity, and support business and economic growth.

To promote nationwide skills development and drive economic growth in the UK, we propose:

- ▶ Increase apprenticeship opportunities created by businesses in key sectors
- ▶ Use incentives as a tool for young people to choose careers aligned with UK growth, enhancing overall skills and creating high-paying jobs
- ▶ Introduce financial incentives for young apprentices in in-demand sectors linked to the UK's growth goals
- ▶ Collaborate closely with employers of all sizes in these sectors to regularly refine apprenticeship standards based on evolving needs

4. A co-ordinated approach that matches year 11 and 13 decision making

There are very few apprenticeship opportunities aligned with the end of the academic year, which pushes would be apprentices into college or 6th form given the uncertainty of apprenticeship opportunities. Whilst year-round recruitment should continue to ensure apprenticeships cater for all those interested, there should be a particular focus given to school leavers to improve uptake in this age cohort.

By January, minds of young people are largely made up, and college, 6th form or university offers a sense of security and certainty that the current approach for non-traditional apprenticeships does not.

To improve apprenticeship uptake by school and college leavers, we recommend:

- ▶ Regional approach to apprenticeships including authorities, providers and employers working together with schools
- ▶ Regional apprentice fairs, outside of school hours which allows parents and carers to better understand apprenticeships
- ▶ Align to the same touch points as academic options, both for information and September apprenticeship starts
- ▶ Encourage more work experience offers from businesses that have apprentices

5. Stop expecting the impossible from careers advisors in schools

Quality careers advice can be a postcode lottery, with schools not given a minimum requirement for careers provision or staffing resource, and the absence of apprenticeship information in schools is often cited as a reason for young people's lack of awareness. However, we are placing unrealistic expectations on school career advisors. With almost 700 apprenticeship standards spanning diverse sectors, one advisor cannot cover all the options, in addition to numerous academic routes.

To improve awareness of apprenticeships, we recommend:

- ▶ Continued apprenticeship campaigns both nationally and regionally
- ▶ Deploy the use of AI to support with tailored careers advice
- ▶ Regionally coordinated CPD opportunities for careers advisors and other teaching staff from providers and employers
- ▶ Digitalised approach to support apprentice careers advice which allows national and niche apprenticeship providers, and regional employers to reach young people
- ▶ Regional careers information sessions open to teaching staff from primary, secondary, college and 6th form



YOUNG APPRENTICE SURVEY RESULTS

SATISFACTION

87%

Agreed or strongly agreed that their apprenticeship had helped develop skills that would aid their future employability

FUTURE CONFIDENCE

80%

Agreed or strongly agreed that they feel confident about their future having undertaken an apprenticeship

PROMOTION

67%

Disagreed or strongly disagreed that their school actively promoted apprenticeships and presented them as a viable alternative to college

AWARENESS

59%

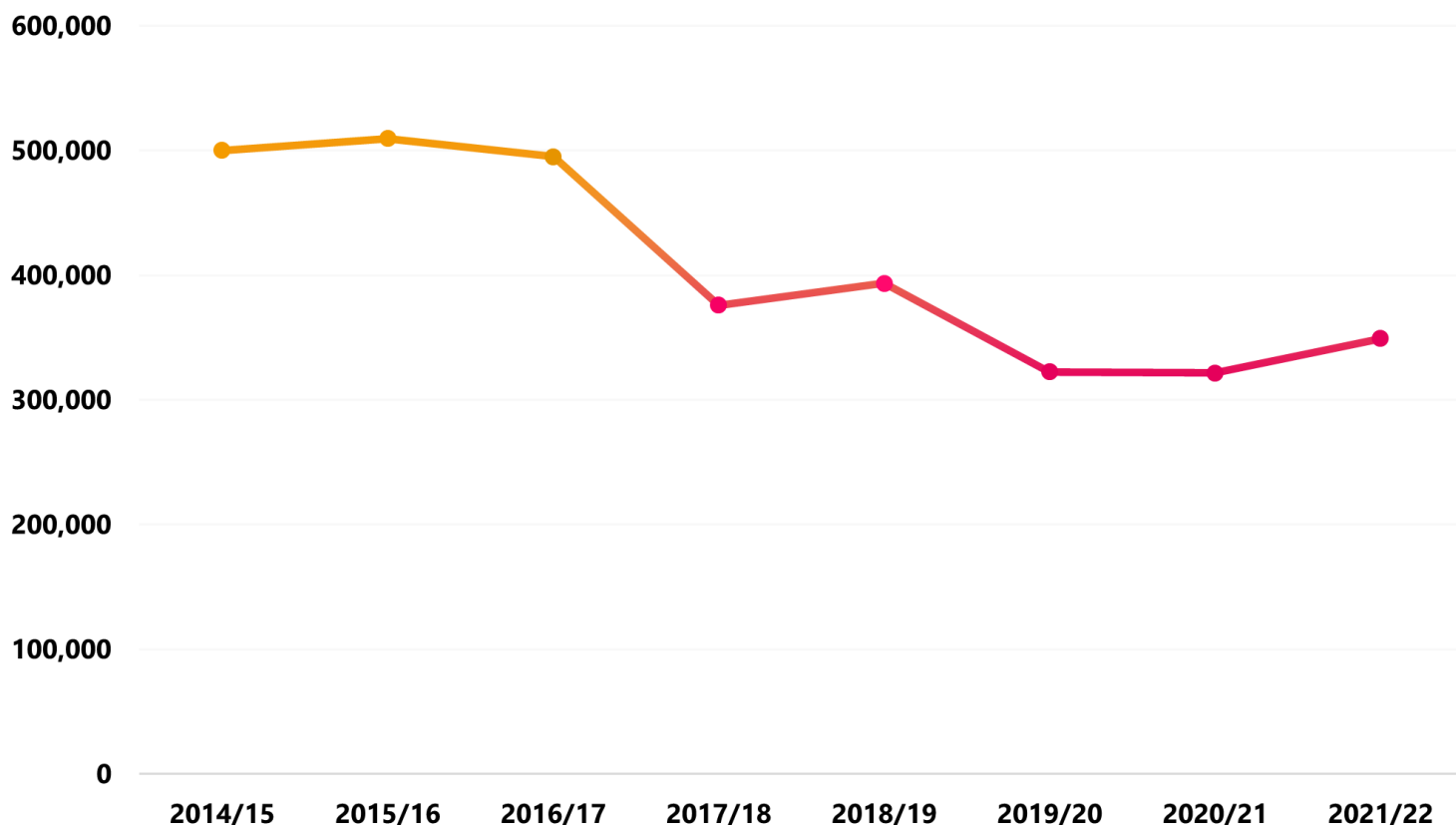
Disagreed or strongly disagreed that they had a good awareness of apprenticeship opportunities at secondary school

(Based on a survey of 312 current and former apprentices, 25 years old or younger)

SECTION 1: CHANGING APPRENTICESHIP DEMOGRAPHICS

1.1. EVOLUTION OF APPRENTICESHIP UPTAKE BY AGE

TOTAL APPRENTICESHIP STARTS

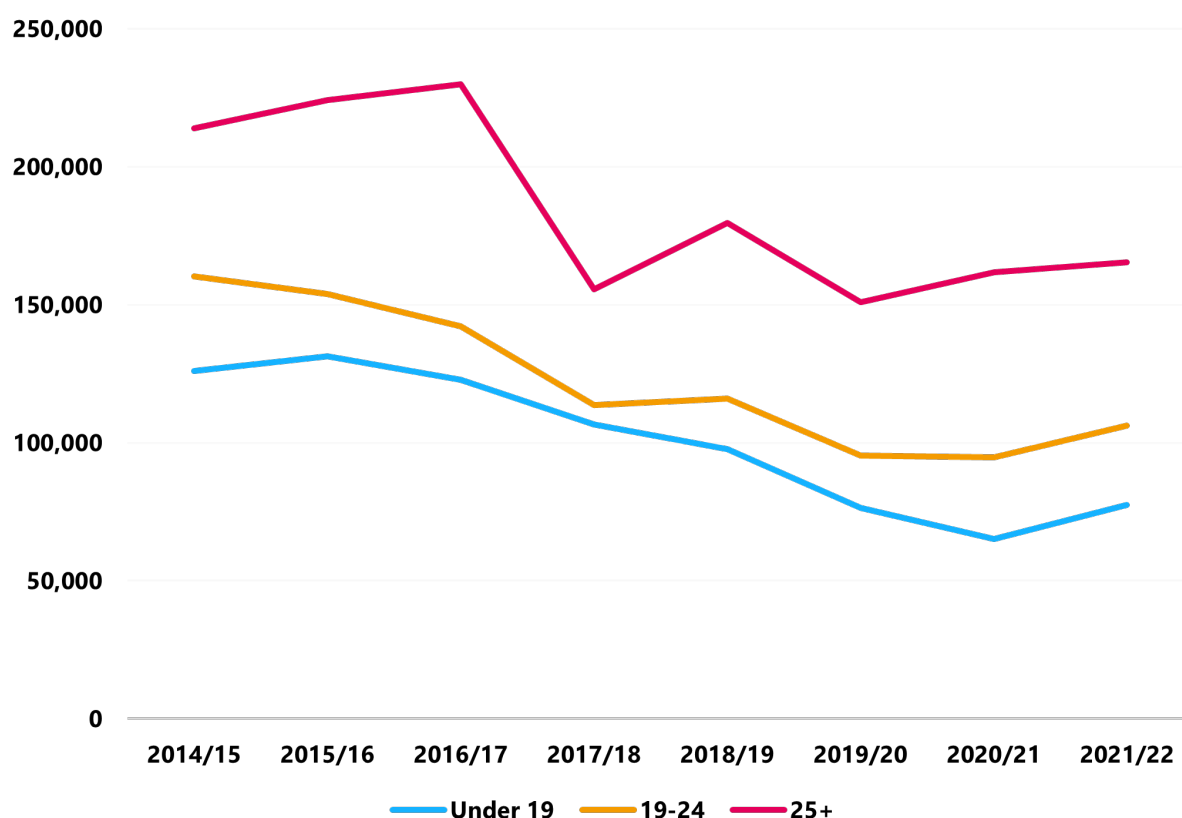


(Figure 1, House of Commons Library, 2023)

Figure 1 shows total apprenticeship starts briefly increasing between 2014-15 and 2015-16, before seeing a near consistent decline until 2021-22. Since 2014-15, the number of starts has decreased by 30%, despite much rhetoric from the DfE and the Treasury throughout this time about the importance of apprenticeships to both education outcomes and the economy.



APPRENTICESHIP STARTS BY AGE



(Figure 2, House of Commons Library 2023)

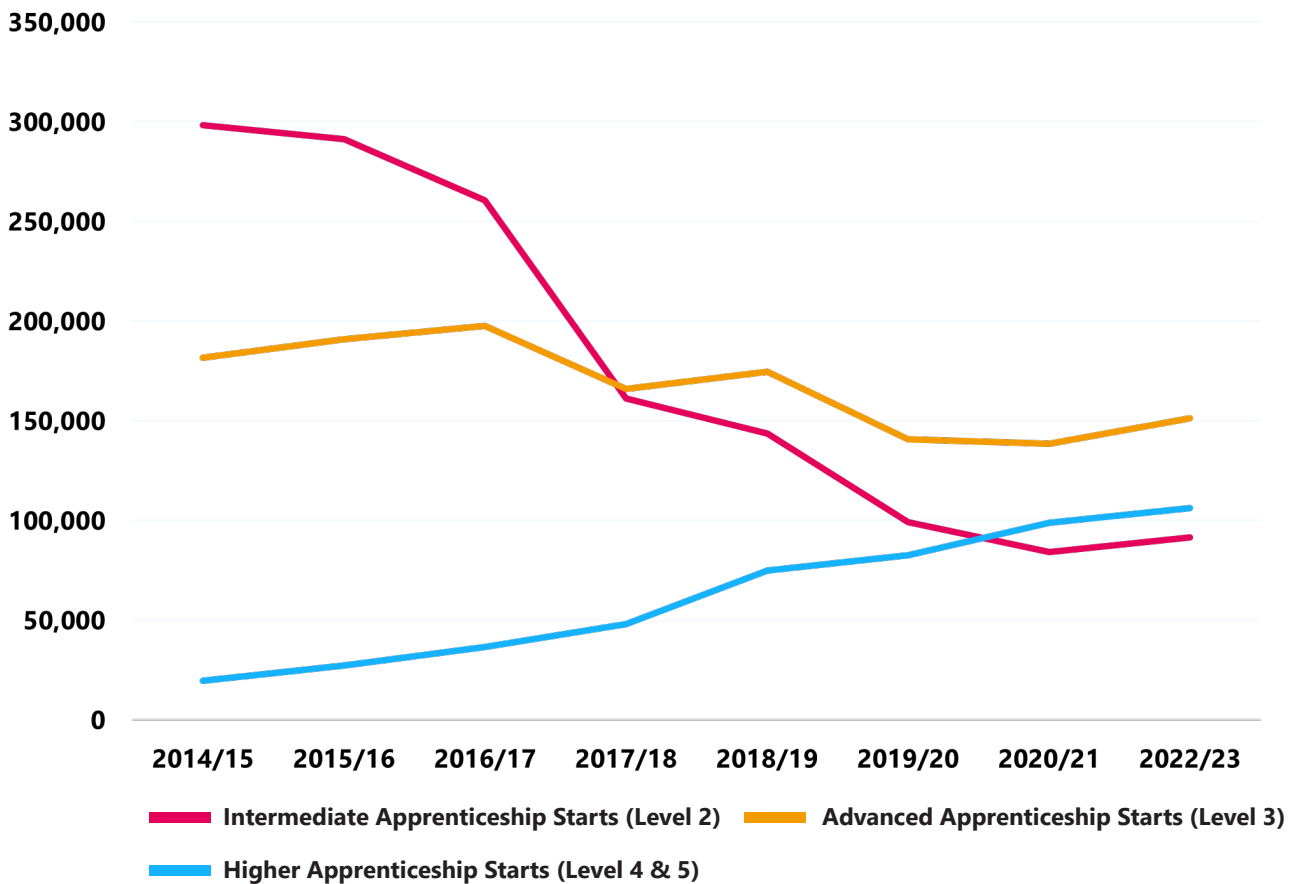
The combined decrease, however, of Intermediate Apprenticeships (Level 2) and Advanced Apprenticeships (Level 3) in this time is a lot greater – almost 50% (Figure 3). Unsurprisingly, these apprenticeships are most popular amongst younger people who have not undertaken previous qualifications, but they also serve as a gateway for more advanced qualifications further down the line. They are clearly powerful upskilling tools, and positively contribute to more macro targets like increasing social mobility and national 'levelling up'.

The total decrease of 30%, then, is reached by factoring in a staggering 437% inverse increase in Higher Apprenticeship uptake. In 2011-12, Higher Apprenticeships constituted less than 1% of apprenticeships starts – now this category makes up almost 30% of starts.

In 2014-15, the number of apprenticeship starts for under 19s was 125,900, with this number increasing steadily to 131,400 in 2015-16. However, by 2017-18 – with the Apprenticeship Levy introduced in 2017 – the number of starts had slipped to 106,600 and was on a steady decline until 2020-21 where the number plummeted to 65,100. Taking into account the pandemic, the following years' figures are slightly more optimistic – 77,500, but they still represent a 41% decrease since the height of under 19 starts just six years ago (Figure 2). In recent years, the number of apprenticeship standards has significantly grown, providing additional pathways to a broader spectrum of careers. In 2013, 5% of 16-year-old school leavers started an apprenticeship. However, in 2023, with more than twice the number of apprenticeship standards available across diverse sectors, only 4% of 16-year-old school leavers started an apprenticeship.

Apprenticeship starts for all age categories (16-19, 19-24, 25+) has seen a similar fall, although the change in the youngest category is the starkest.

APPRENTICESHIP STARTS BY LEVEL



(Figure 3, House of Commons Library, 2023)

In a report published by the Institute for Fiscal Studies (IFS), the current apprenticeship system, which has come to accommodate older apprentices, "has advantages", but "seems to have come at the expense of young apprentices for whom apprenticeships often provide a route into employment". The think tank therefore called for a "revived youth apprenticeship system".

“ THE CURRENT SYSTEM HAS COME TO ACCOMMODATE FOR OLDER APPRENTICES, BUT SEEMS TO HAVE COME AT THE EXPENSE OF YOUNG APPRENTICES FOR WHOM APPRENTICESHIPS OFTEN PROVIDE A ROUTE INTO EMPLOYMENT ”

1.2. KEY DRIVERS OF THIS TREND

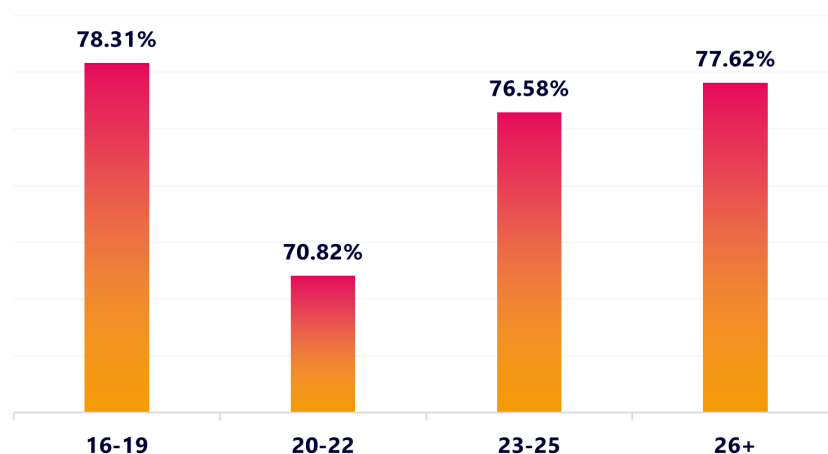
The IFS has remarked that “as a result of near-constant change, the skills system is often challenging to navigate.” Demand and supply-side factors have also contributed to the recent decline in u19 apprenticeship starts. On the demand side, part-time education or training (including apprenticeships) fell by 12% between 2019 and 2020.

It has become less beneficial for companies to hire younger apprentices because of the introduction of the Apprenticeship Levy. Prior to the introduction of the Apprenticeship Levy, financial support for apprenticeships was based on the age of the apprentice – 100% of training costs were subsidised for 16-18 year-olds, 50% for 19-23 year-olds, and 40% for 24+.

The IFS outlines that “the economic rationale for subsidies stems from barriers, such as credit constraints or externalities, which result in fewer apprentices being trained than is socially optimal.” The think tank posits that “there are sound economic grounds to subsidise training, then, and even prior to 2011, subsidies existed for apprenticeship training.” By this logic, subsidies should specifically target the implementation of lower-level apprentices, since they face greater barriers – lower income, less vocational experience, potentially facing greater difficulties in navigating complex administration, and are also likely to receive – and produce – greater net benefit from an apprenticeship than someone with a pre-existing qualification.

The Apprenticeship Levy is a valid attempt to increase employer engagement with apprenticeships, but it is important to recognise the negative effect it has on a company’s willingness to hire under 19s – a demographic who are perceived to present a higher risk. However, this perception is unfounded – research has shown that retention amongst 16- to 19-year-olds is higher (Figure 4).

APPRENTICESHIP STARTS BY AGE GROUP



(Figure 4, Baltic Apprenticeships Data)

Since the Apprenticeship Levy presents the greatest barrier to entry for SMEs, and simultaneously SMEs are most likely to employ younger learners and are more popular among young apprentices, these under-19s have been disproportionately affected by the changed landscape.

It should be recognised, then, that the incentives put in place for companies do not align with the national drive to upskill. To counterbalance this, widening access to and information about apprenticeships for school pupils should be a priority, and alongside the current system, incentives for companies to hire and train under 19s should be made available.

SECTION 2: IMPACT ON THE WIDER SKILLS SYSTEM

2.1. UK SKILLS SHORTAGES

The UK's skills shortages are a well-documented public policy challenge. The latest annual Open University Business Barometer, published in June 2023, found that 73% of organisations are currently facing skills shortages (this rises to 86% in large organisations). 42% of organisations say they have been prevented from filling roles due to a lack of applicants, with 72% saying skills shortages have increased workload on existing staff.

This trend is reflected in earlier research by the Federation for Small Businesses which found that 78% of those who have tried to recruit in the past 12 months have experienced difficulties, including: (i) a lack of individuals with relevant qualifications, skills and experience (82%) and (ii) low number of applicants generally (60%).

The challenge in recruiting those with the necessary skillset has fed through to high vacancy rates in the economy, with businesses unable to bring in the talent they need to flourish. While UK job vacancies have fallen in recent months from a record high of over 1.3 million in May 2022, the number of vacancies remains well above historic norms at 988,000 according to recent estimates from the ONS. This is 187,000 above the pre-pandemic January to March levels. The graph below highlights this trend:

KEY STATISTICS

86% of large organisations are currently experiencing skills shortages

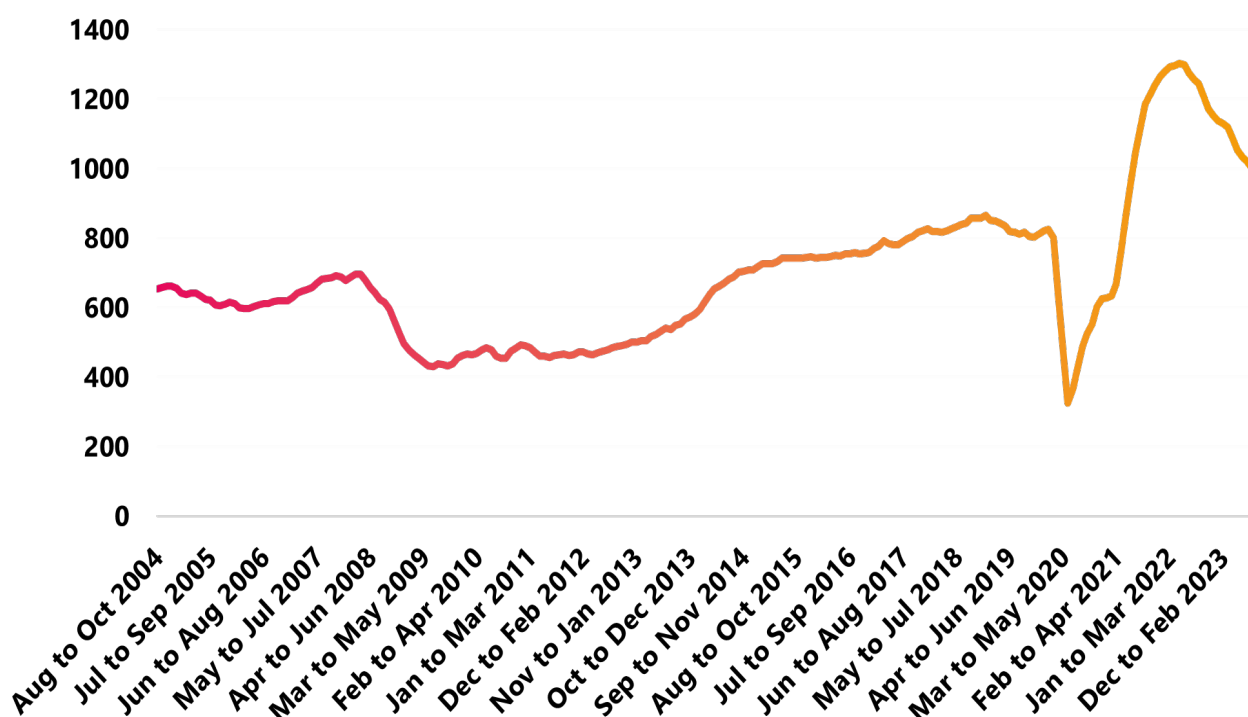
78% of small businesses that have tried to recruit in the past 12 months have faced difficulties

73% of small businesses are currently experiencing skills shortages

42% of organisations say they have been prevented from filling roles due to lack of applicants



NUMBER OF VACANCIES IN THE UK, SEASONALLY ADJUSTED (THOUSANDS)



(Figure 5, ONS Jobs and Vacancies in the UK, October 2023)

Research by the Recruitment & Employment Confederation further demonstrates the importance of tackling the root cause of this issue.

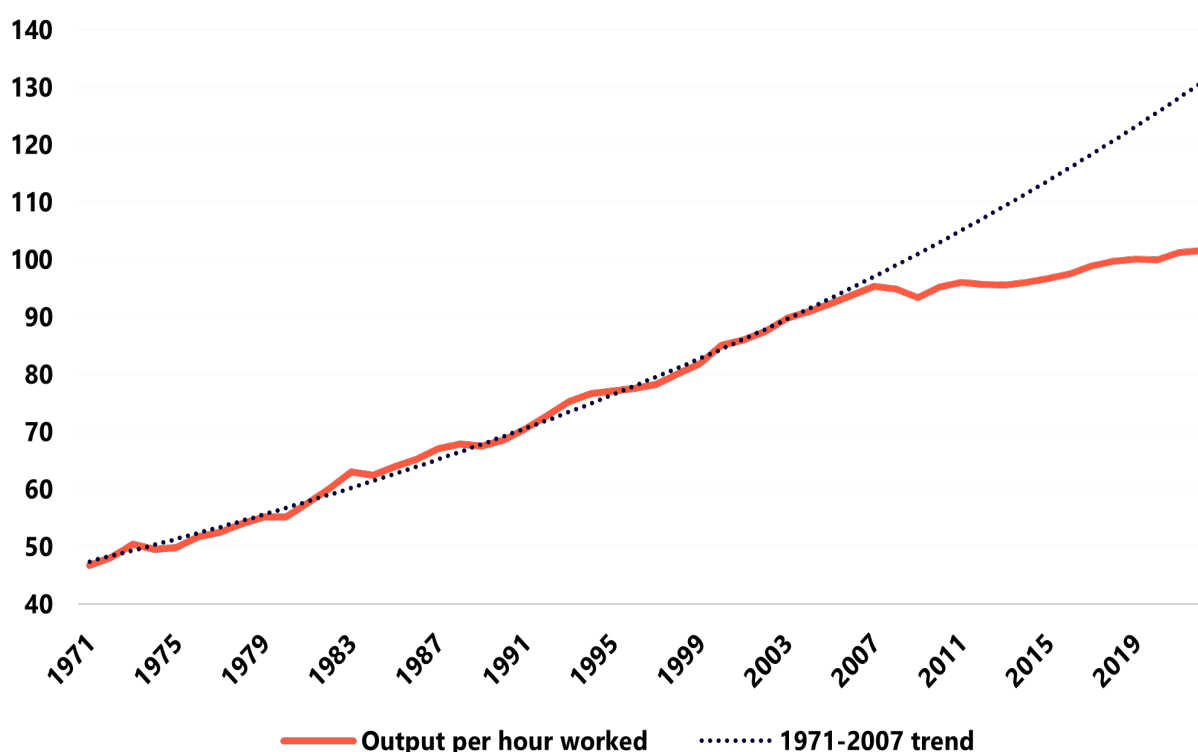
The Confederation estimates that if labour shortages are not addressed, the UK economy will be between £30 billion and £39 billion worse off each year from 2024 (a similar figure to the entire existing defence budget).

Modelling by the organisation also shows that any attempt to boost demand while there are labour shortages that cannot be filled will likely impact the economy negatively in the medium term. For example, a temporary and hypothetical 10% increase in demand in the economy would need to be accommodated by 1.7 million new jobs. Without this employment increase, real UK GDP would fall by between £30 billion and £39 billion every year from 2024 through to the end of 2027, equivalent to 1.2% to 1.6% of GDP.

Not only are skills shortages feeding through to a high number of job vacancies in the economy, but it is also holding back UK productivity more broadly. Productivity, how much output is produced for a given input (such as hours of work), is one of the most important factors in determining living standards. Historically, UK labour productivity has grown by around 2% per year but since the 2008-09 recession, it has risen more slowly.

Notably, had productivity continued on its pre-2008 trajectory, it would be around 26% higher in 2022 than its actual figure.

UK PRODUCTIVITY FROM 1971 TO 2022 (MEASURED AS OUTPUT PER HOUR WORKED)



(Figure 6, ONS Output Per Hour Worked, October 2023)

At an aggregate level, therefore, UK economic growth since 2008 has largely been driven by increasing hours worked rather than increasing output per hour (productivity).

Indeed, low productivity growth underpins the Office for Budget Responsibility's assessment that there "remains weak underlying momentum" in the UK economy.

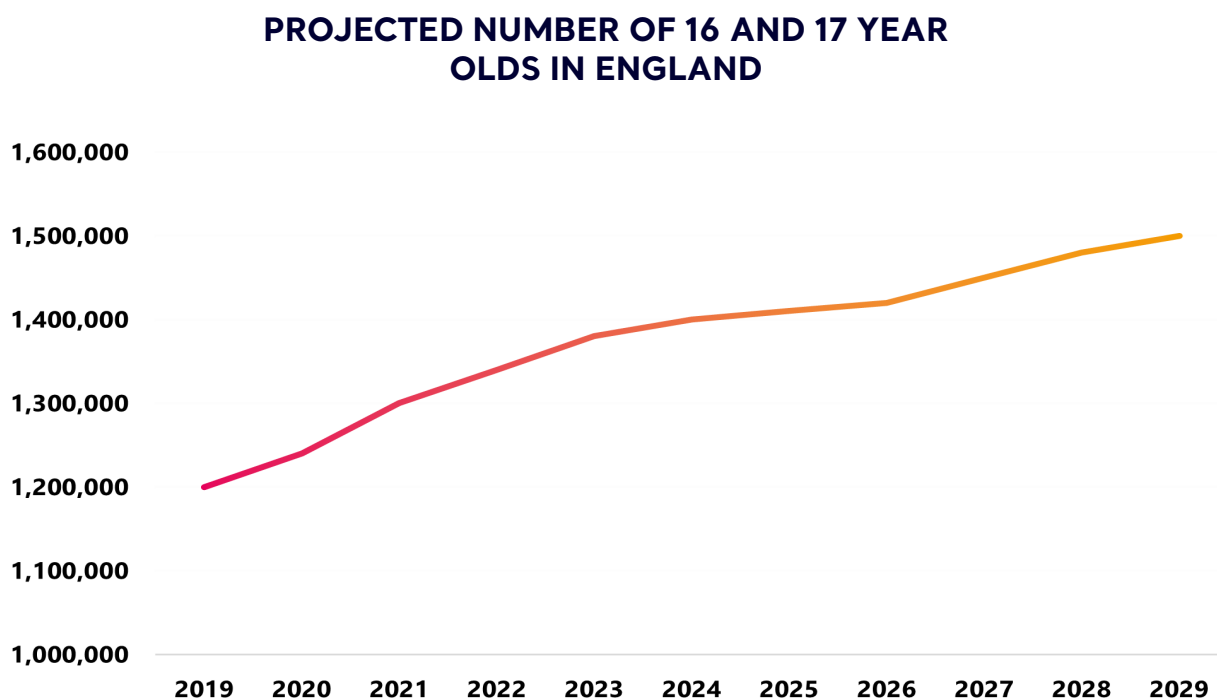
A recent report by Be the Business states that maintaining a 1% annual improvement in SME productivity over five years would grow the UK economy by £94bn, with technology adoption and leadership and management skills being the two main causes cited as holding this potential productivity back.

Regarding policy remedies to improve productivity, a 2020 poll by the Centre for Macroeconomics noted that investment in human capital, such as education and job retraining, is the favoured option among leading economists. While low demand (including due to the 2008-09 financial crisis, austerity policies or Brexit) was cited by most as the cause for the slowdown in the UK's productivity growth (with 40% of respondents listing this factor as the most important cause), investment in human capital including education and job retraining was regarded as the policy which would best help improve private sector productivity.

In summary, skills shortages in the UK are widespread and causing significant challenges to businesses looking to recruit those with the right skillset. Quick fixes to mask the problem through expansion of demand are off the table as doing so is likely to cause long-term damage to the economy. The only solution therefore is to engage with the underlying causes of skills shortages.

SECTION 3: OPPORTUNITIES FOR YOUNG APPRENTICES

3.1. EARNING POTENTIAL FOR YOUNG APPRENTICES



(Figure 7, IFS, 2022)

By 2029, the population of 16- and 17-year-olds is expected to rise, adding 300,000 individuals to this age bracket. This presents a noteworthy chance to impact their choices regarding career paths, especially considering that this age group is currently in Year 7.

Under-19s undertaking an apprenticeship are often able to earn stable incomes, otherwise uncommon for their age bracket. A report commissioned by the Sutton Trust led by Dr Philip Kirby was optimistic about the earning potential of apprentices in general, and in particular, found that the earning potential of an advanced apprenticeship at level 3 is higher than that of an individual who has just completed A-Levels.

The recent growth of digital and tech-related apprenticeships coincides with an increase in average wages within the sector. Compared to national UK growth, earnings in the IT sector were found to have increased at a greater rate – with the former rising by 8.2% and the latter up by 11.1%. With companies increasingly relying on digitalisation and data analysis, this ongoing growth is expected to be resilient.

In addition, earnings in the IT sector have been approximated at up to 74.1% higher than average wages across all other sectors. Also, IT positions within other sectors are becoming more desirable, with technology increasingly central to public service missions like healthcare and education. In 2023, the Government's Senior Salaries Review Body (SSRB) found that digital directors earned a median salary £25,000 higher than their counterparts in other professions.

Studies have shown that 56% of young people identify competitive pay as a major consideration when choosing a particular career. However, it still seems to be the case that some students hold a lower regard for the apprenticeship route than the more conventional routes – college and then university - with 39% admitting that the latter has a far better reputation.


Baltic's survey data reinforces this perspective, with some respondents citing misconceptions about apprenticeships, considering them suitable only for certain industries or less academically inclined individuals.

Arguably this outcome is more influenced by a national bias towards traditional further education routes rather than actual evidence – a conclusion also made by Kirby who found that the UK has a unique lack of appreciation for apprenticeships, compared to countries like Germany, Austria, and Switzerland.

This view is bolstered by a reliance on families for career advice (65%) over teachers (57%) and careers professionals (35%). Notably, 1 in 10 children interviewed by Prospect were prevented by their parents from undertaking an apprenticeship. Young people learning about apprenticeships from older generations are unlikely to fully encounter the current apprenticeship landscape – which has been vastly professionalised and regulated in recent decades. It is important then that proper information about apprenticeships is disseminated in schools to counterbalance the long-held misconception regarding apprenticeship inferiority, and this includes more clarity about the potential for a strong and secure salary.

As well as individual earning potential, the macro impact of focusing on apprenticeships cannot be understated. Research by the Centre for Economics and Business Research (CEBR) in 2014 found that for every £1 spent on apprenticeships, the UK economy receives a £21 return. A separate report has found that apprentices who qualified in 2019 are set to contribute £7 billion to the economy by the end of 2029 – ultimately providing a 300% return on investment.

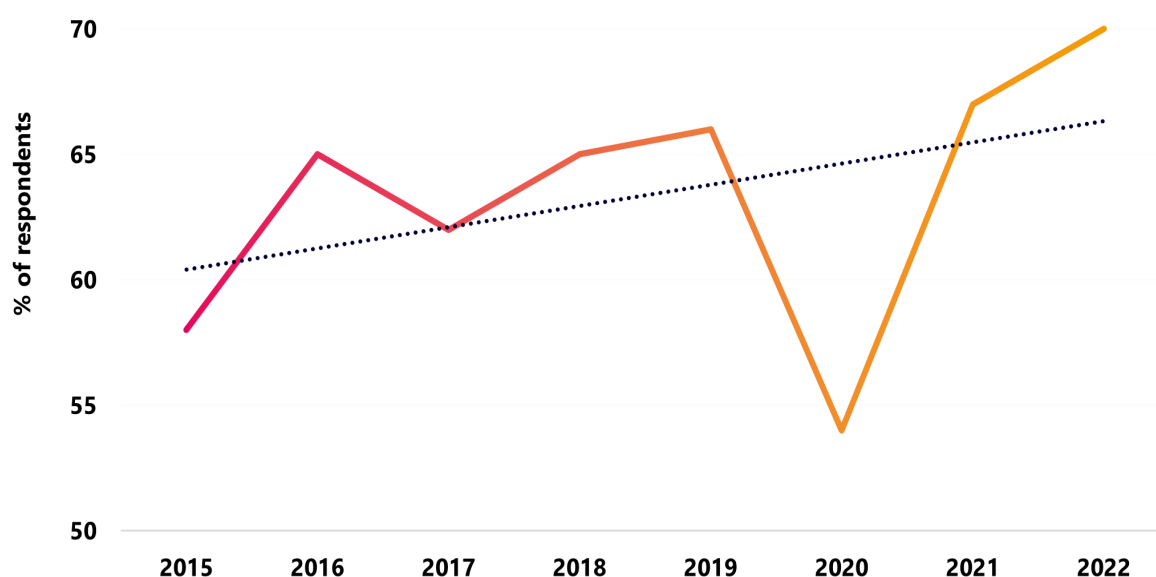
There is therefore ample evidence for the benefits that greater apprenticeship uptake can provide, and policy which allows the apprenticeship route to compete on equal footing with more academic pursuits will undoubtedly enable this sustainable growth mechanism. Furthermore, as the projected number of 16-17 year-olds continues to grow in England (Figure 7), it is increasingly important that apprenticeship routes are designed and supported with this demographic in mind.



“ APPRENTICES WHO QUALIFIED IN 2019 ARE SET TO CONTRIBUTE £7 BILLION TO THE ECONOMY BY THE END OF 2029 – ULTIMATELY PROVIDING A 300% RETURN ON INVESTMENT.

3.2. VARIETY OF INDUSTRIES AVAILABLE

Q: DOES A SKILLS SHORTAGE PREVENT YOUR ORGANISATION FROM KEEPING UP WITH THE PACE OF CHANGE? 'YES' (% OF RESPONDENTS)



(Figure 8, Nash Squared Digital Leadership Report, 2022)

Research carried out by the Learning and Work Institute, World Skills UK and Enginuity shows that 60% of employers surveyed expect to rely more heavily on digital skills in the next five years. This pattern is evident across sectors, with many public sector bodies, in particular, desperate to update legacy systems hampering efficiency and exacerbating inflationary pressures.

Many businesses have expressed a desire to see more individuals in the labour market possess relevant digital skills and have found a lack of these skills a core issue in recent recruitment cycles.

A survey undertaken by Gallup and Amazon Web Services found that while 72% of businesses in the UK have a vacancy for workers with digital skills, only 11% of UK workers possess advanced digital skills. Additionally, more than two-thirds (68%) of businesses find it challenging to hire the digital workers they need, and 45% say this is due to a shortage of qualified applicants. The same survey found that advanced digital skills boost annual UK GDP by £67.8 billion.





THE VOCATIONAL NATURE OF APPRENTICESHIPS MEANS THAT THEY ARE RELEVANT TO A RANGE OF SECTORS WHICH CONTINUE TO SEE MAJOR GROWTH IN THE UK.

INFORMATION TECHNOLOGY

In 2023, the UK aimed to lead global innovation, reinforcing its role as a Science and Technology Superpower. In 2022, the UK's tech sector became the world's third-largest, valued at \$1 trillion, outpacing Germany, France, and Sweden in creating 'unicorns'—companies worth at least \$1 billion.

However, the 2023 Forbes IT Skills Gap Report revealed a significant challenge. Among 500 surveyed businesses, 93% cited a shortage of UK IT skills, attributing it to rapid tech advancements, inadequate training, and a limited appeal for IT careers.

CONTENT CREATION

The Creative Industry, through YouTube's creative ecosystem alone, contributed more than \$1.8 billion to the UK's GDP in 2021. Research published in the House of Lords Library on 'Freelancers in the arts and creative sectors' found that the sector contains more than twice as many self-employed people. Self-employment is a route that studies have shown at least one-fifth of young people consider a viable path, although many cited "not knowing where to start", "fear of failure" and "not knowing the right people" as barriers. The security and mentorship provided by an expert-led apprenticeship are powerful for breaking down these barriers and officiating an alternative pathway for young people looking for careers which best suit their skills.

DATA ANALYSIS

In 2021, government research found that nearly half of businesses they interviewed had struggled to recruit for data roles. The same research found that 70% of workers were interested in being trained in data skills, and 50% considered their role's requirement for data skills to have increased over the last five years. Despite this, 50% of workers had not received any data skills training in the last two years. There is a clear demand both to be trained in data analysis and to employ people with the requisite skills, but the problem is aligning these demands adequately.

SOFTWARE DEVELOPMENT

Similarly, software development skills are becoming incredibly desirable for businesses embracing the digital shift taking place across the economy. The UK software market is predicted to expand by 7.14% in the next 5 years, resulting in a market size of over £38 billion by 2028. With changes to school curriculum to accommodate more digital skills learning, software development apprenticeships are an opportunity to expand upon the foundations built in primary and secondary school, while employers can benefit increasingly from the digital savviness of a younger generation.

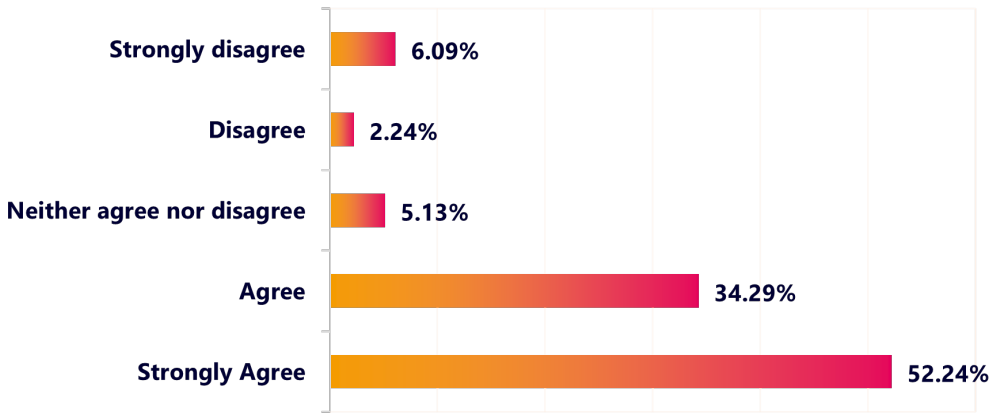
Hybrid work is a particularly prevalent feature across the digital sector. Marketing, advertising and PR, along with information research and analysis have been found to contain the highest proportion of hybrid workers – with 53.85% and 46.15% respectively. A survey by the Chartered Institute of Personnel and Development (CIPD) found that offering hybrid working had an overall positive effect on the attraction and retention of talent, the ability to hire more diversely, and the financial well-being of employees.

Apprenticeships have been shown repeatedly to have a positive impact on diversity indicators in the workplace, addressing gender inequalities and creating more inclusive environments for those with families. Research has shown that freelancing provides a range of benefits for employees raising families – which the New Economics Foundation attributes to a 69% increase in female full-time self-employment between 2001 and 2016. Also, 34% of current STEM apprentices are women, compared to the national average of 22%, as recorded by the Office for Students.

Apprenticeships are also a reliable source of career confidence. Young people – especially since the pandemic – have been found to lack faith in their skills and preparedness for the world of work. The Prince’s Trust found that only 22% of young people feel confident about their future careers. 87% of our survey respondents strongly agreed or agreed that their apprenticeship had helped them develop skills that will aid their future employability: a marked indicator of mental health and wellbeing (Figure 9).

87% of survey respondents strongly agreed or agreed that their apprenticeship had helped them develop skills that will aid their future employability.

Q: MY APPRENTICESHIP HAS HELPED ME DEVELOP SKILLS THAT WILL AID MY FUTURE EMPLOYABILITY



(Figure 9, Baltic Apprenticeships Survey, 2023)

The variety of industries which apprenticeships can cater to can clearly address the market failure which has prevented the alignment of a growth in demand for digital skills with a simultaneous growth in demand for individuals with this skillset.

SECTION 4: BARRIERS FOR PROSPECTIVE APPRENTICES

4.1. SCHOOLS CAREER ADVICE

The latest statutory guidance, published in January 2023 makes clear that “schools have an important role in correcting the imbalance in careers information which means that in years 9 and 10, far fewer students have been spoken to about technical choices in comparison to academic routes and only 4% of young people start an apprenticeship after their GCSEs.

This is despite the fact that, as noted by the 2023 Youth Voice Census Report, young people in apprenticeships are some of the happiest at work, with 73.6% of apprentices feeling prepared for their next steps. The Report does state that the group sees positive action in secondary schools with young people receiving more career experiences this year and young people feeling the benefit of this support more than ever before. This has resulted in the “closest level of parity between apprenticeships and university ever and we see apprentices in work thriving.

Separately, according to a recent report published by UCAS, the organisation has seen demand for apprenticeships grow significantly across its personalised student hub and in-person exhibitions. 40% of students (430,000) interested in undergraduate options are also interested in apprenticeships. However, the report states that despite this growth in demand, the number of starts for young learners remains low.

This indicates that there is still work to be done to showcase the invaluable role of apprenticeships for young people. Research conducted by Ofsted on careers guidance in schools and further education and skills providers revealed that there were gaps around apprenticeships and a few schools were not promoting these effectively. In addition, some employers and independent learning providers included in the research found that technical pathways were not promoted well enough in school.

Pupils’ awareness and understanding of technical and vocational pathways also varied, and in approximately half of schools, pupils either said they did not understand technical pathways well enough, or the inspector noted that they were unable to demonstrate knowledge of them.

Indeed, an overriding theme of our apprenticeship survey was the lack of emphasis placed on apprenticeships in school. 67% of respondents either disagreed or strongly disagreed with the statement that their school actively promoted apprenticeships and presented it as a viable alternative to college. Similarly, 54% disagreed or strongly disagreed with the view that their school’s career service gave a well-rounded view of the options available to them after completing their GCSEs, with just under 25% neither agreeing nor disagreeing. This is despite the fact that 80% of respondents agreed with the statement that they feel confident about their future careers having undertaken an apprenticeship.

Therefore, there is a clear distinction between the careers advice young people receive in school and their experience of undertaking an apprenticeship. There is a widespread view that schools' careers services neither promote apprenticeships nor give individuals a well-rounded view of options following the completion of their GCSEs. This demonstrates a very clear failure to give potential apprentices all the options available to them, instead pushing them down a pre-defined, more academic route.

Although there is failure to promote apprenticeships effectively in schools, apprenticeship standards and options are arguably more complicated than ever. Carrying on with the status quo will not provide the seismic shift needed to bring true parity of esteem of apprenticeships with traditional academic routes. Further understanding of the knowledge gaps of school's careers services is needed, and the relevant solutions implemented.

Fundamentally, it is a multi-faceted issue which is going to take a multi-faceted approach to truly change the statistics.



4.2. LACK OF OPPORTUNITIES



LACK OF OPPORTUNITY IN KEY SECTORS RELATED TO THE UK'S GROWTH AMBITIONS IS ALSO A KEY BARRIER TO WIDER APPRENTICESHIP UPTAKE.

The Prime Minister Rishi Sunak has placed the tech sector at the heart of his growth agenda, with the recent AI summit in Bletchley Park a demonstrable indicator of his ambitions for the UK in this space.

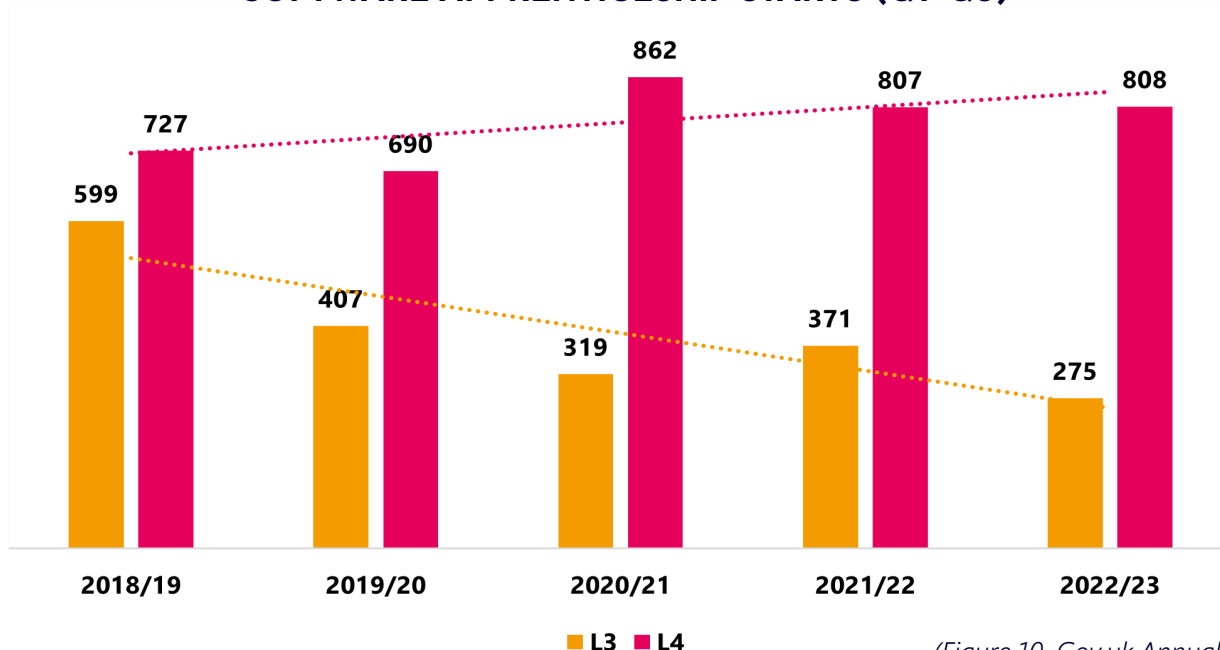
Furthermore, speaking at London Tech Week in June 2023, Sunak argued that the UK must act quickly not only to retain its position as one of the world's tech capitals, but to "go even further and make this the best country in the world to start, grow, and invest in tech businesses."

Regarding, software apprenticeships, for example, entry-level jobs are disappearing across the sector. This is despite the fact that the European Software Skills Alliance (ESSA) identified drastic knowledge and skills gaps across the software industry in its 2021 Needs Analysis Report. The report found that there is a lack of professional-related skills, such as programming and programming languages, and personal soft skills, such as critical thinking, across the sector.

This has been accompanied by a growing requirement for applicants for "entry-level" roles to have pre-existing sector experience. Recent analysis by LinkedIn of almost 4 million job vacancies showed that 35% of postings for "entry-level" required prior relevant work experience, with this figure rising to more than 60% of entry-level software roles.

This is at a time when the sector is rapidly growing. Between 2015-19 the UK software market's compound annual growth rate was 12.7% per annum. However, Level 3 apprenticeship starts have significantly declined. In the last five years, Level 3 Software apprenticeship starts have dropped by 54% and Level 4 starts are also becoming stagnant. This is shown in the graph below:

SOFTWARE APPRENTICESHIP STARTS (Q1-Q3)

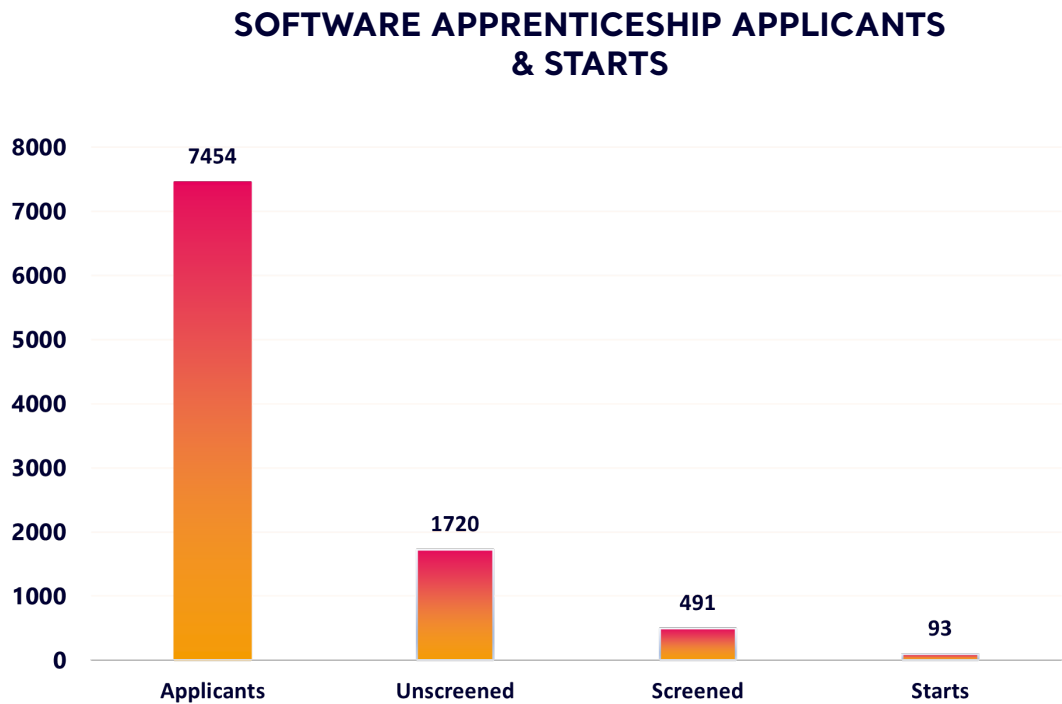


(Figure 10, Gov.uk Annual Data)

This is particularly concerning as young, entry-level software talent is key to future proofing the industry. Without continued recruitment into the sector, the only option will be for firms to outsource these roles abroad, leaving the UK without the necessary domestic skillset to take advantage of the abundant growth opportunities. An anonymous survey in 2019 of more than 3,000 start-ups commissioned by UK-based firm, Clockers, found that 56% of respondents had turned to outsourcing software development work overseas.

Alongside this, routes into the sector are decreasing, and employers are expecting an increasing amount of experience for new roles.

Furthermore, as shown in the graph below, there are also far more candidates than there are vacancies, with this the only route into the sector for many:



(Figure 11, Baltic Apprenticeships Data)


This shows that for every software apprenticeship start, there were over 80 applications – meaning applicants have a 1.2% chance of landing the role they apply for.

Crucially, early entry into the sector is advantageous for young people themselves. By going through the college and university route, it would take a young person five years to access an entry or graduate-level role alongside being c.£38k in debt. A young person starting at Level 3, on the other hand, could be a mid-level developer in the same timeframe, with five years of earnings also under their belt.

Overall, despite a clear appetite from young people to undertake an apprenticeship in an area intrinsically linked to the UK’s wider growth ambitions, a lack of opportunities is preventing them from progressing. It is therefore vital that the industry works together to encourage a clear pathway for young learners keen to contribute to this critical area of the UK’s development.

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