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‘The system is broken’: How George Osborne’s apprenticeship dream fell apart

Designed to alleviate the skills shortage, the apprenticeship levy has instead left employers complaining of burdensome bureaucracy

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Benjamin Gilbert: ‘Whilst bigger businesses have the capacity to devote time and resources to navigating the apprenticeship system, it’s a much bigger challenge for a smaller company’ Credit: John Lawrence

Ella Nunn

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A decade ago, with the country in the midst of a skilled labour shortage, George Osborne used his 2015 summer budget to deliver the Conservative Government’s solution: the apprenticeship levy.

Introduced two years later with the aim of achieving three million “high quality” apprenticeships by 2020, it requires large employers to pay 0.5 per

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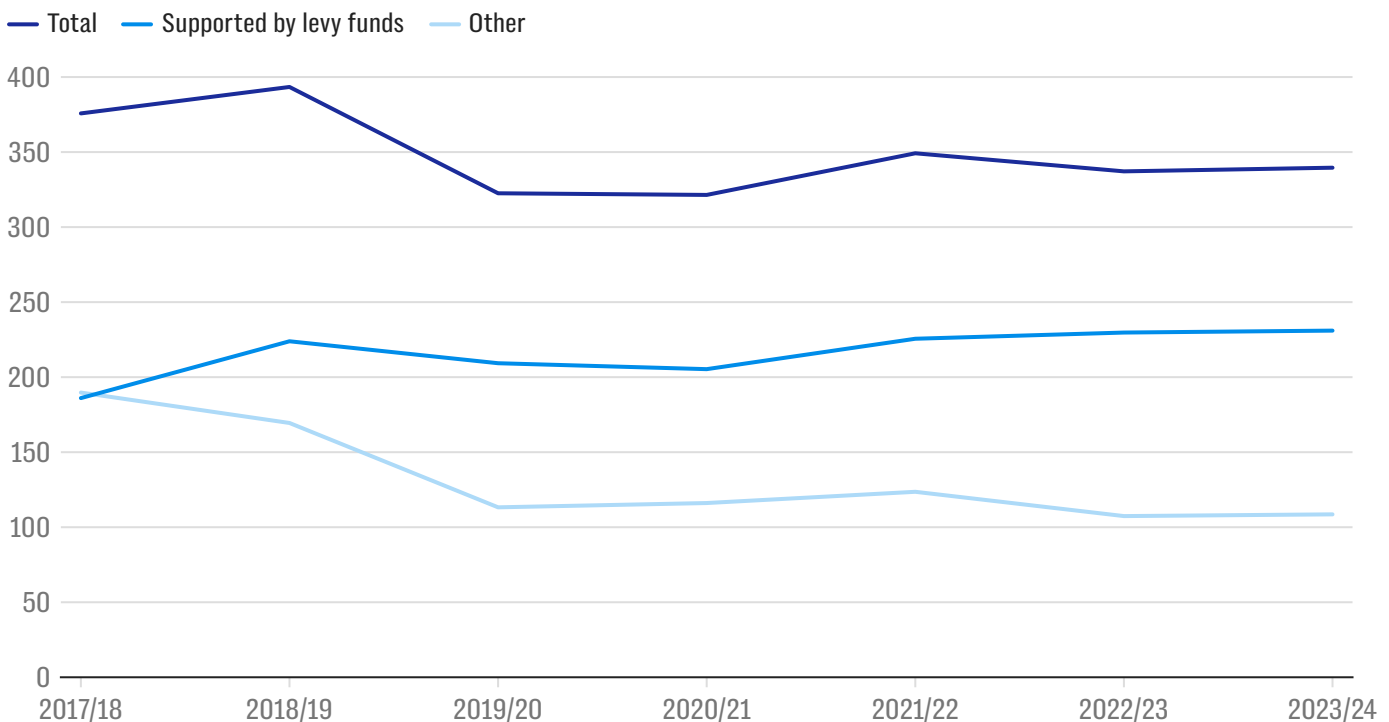
cent of their wage bill into a training fund which can be accessed by companies of all sizes.

But many small and medium enterprises (SMEs) across the country say the system has failed them, pointing to money being misspent on those already in work, burdensome bureaucracy and inadequate training regimes. Too many young people who were promised a worthwhile alternative to higher education have, meanwhile, been locked out and left behind.

Acknowledging the shortcomings, the Government has pledged an overhaul of the system – headed by the Department for Education (DfE) – as it aims to boost economic growth and plug skills gaps in key industries, in order to reduce reliance on skilled workers from overseas.

Britain's apprenticeship push

Apprenticeship starts



Source: Department for Education statistics

“I know from the businesses I have met that they are not happy with the apprenticeship levy system which we inherited, but we have a shared vision of breaking down barriers to opportunity and getting people the skills they need,” says skills minister Jacqui Smith.

Even those involved with introducing the scheme appear to be aware that change is required. Robert Halfon, the former Conservative MP and minister for skills, says there should be “as little bureaucracy and form-filling as possible for the small businesses”.

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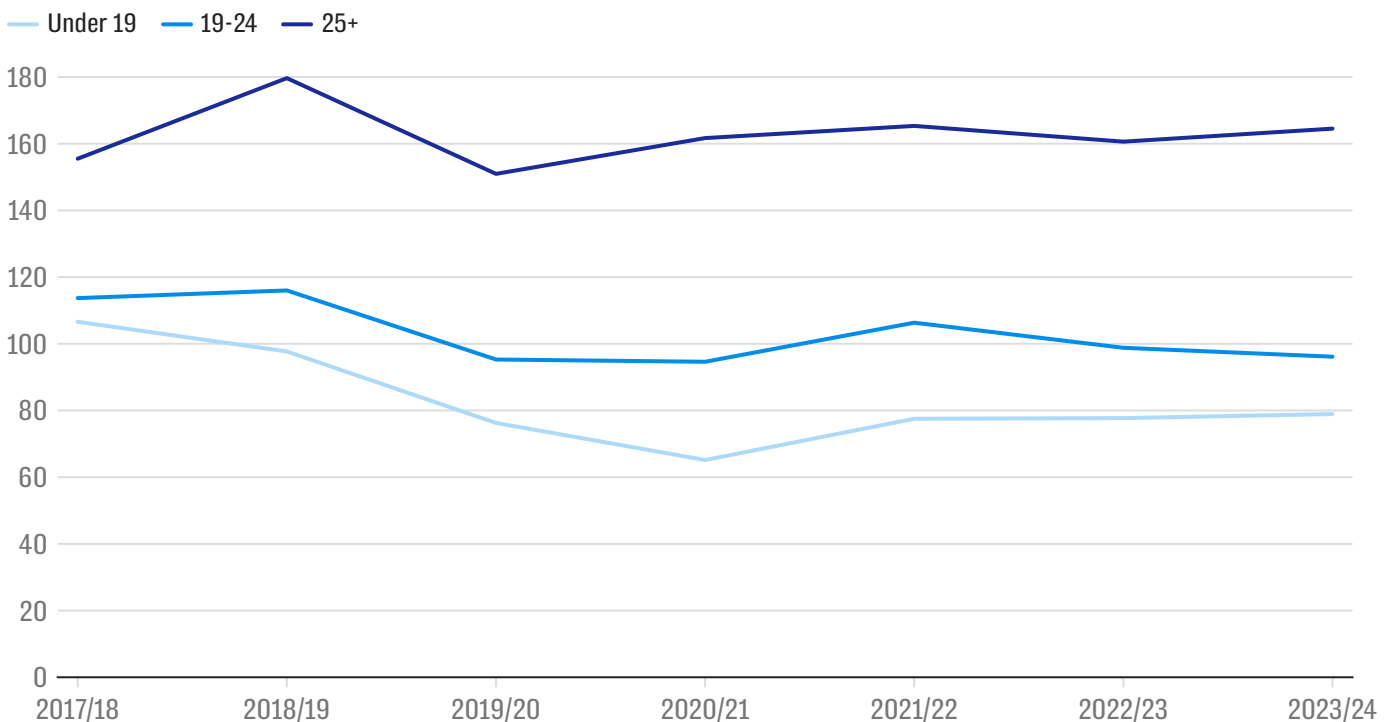
A difficult process

While the term “apprentice” may conjure images of an eager teenager swapping school for industry, the reality is markedly different.

Over the past 15 years, the proportion of young people beginning an apprenticeship has plunged, with those aged 18 or under making up only 23 per cent of starts in 2023-2024 compared to 41 per cent in 2008. Meanwhile, 49 per cent of apprenticeships are now taken by individuals aged 25 plus, many of whom are already in work and, in some cases, hold senior positions. Just one fifth of new starters in 2023-24 enrolled in intermediate programmes – the lowest level of apprenticeship – with the rest beginning advanced and higher level courses.

Majority of apprenticeship starters now aged 25+

Apprenticeship starts by age



Source: Department for Education statistics

Inadvertently, the apprenticeship levy – which applies to businesses with a yearly payroll of more than £3 million – appears to have incentivised the large companies that pay into it to use their funds to advance their own (older) workers. Young people, and SMEs, are losing out as a result.

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In September to November 2024, 628,000 people aged 16 to 24, or 14.5 per cent, were unemployed in the UK. This was 98,000 more than the previous year, and strikingly above the national average of 4.4 per cent.

As well as a high unemployment rate, a longer-term trend among this age group is an increase in overall economic inactivity. The number of young adults not in education, employment or training (NEET) reached a ten-year high of 13.2 percent in late 2024.

Mike Tinmouth, co-founder of ACUA Ocean, a maritime technology company in Plymouth, says he wants to bring more young people on board. But whilst his company has successfully employed interns, the apprenticeship levy has been more challenging to navigate.

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Benjamin Gilbert, founder of Ealing Electricians, agrees. “The average tradesman spends his day managing customer service, the supply side, and the trade itself.

“Whilst bigger businesses have the capacity to devote time and resources to navigating the apprenticeship system, it’s a much bigger challenge for a smaller company,” he says.

“Tradesmen I know have been turned away because of how difficult the process is – the system is definitely broken.”



Benjamin Gilbert, pictured here with his Ealing Electricians team, says he knows tradesmen who have been unable to make use of the apprenticeship scheme Credit: John Lawrence

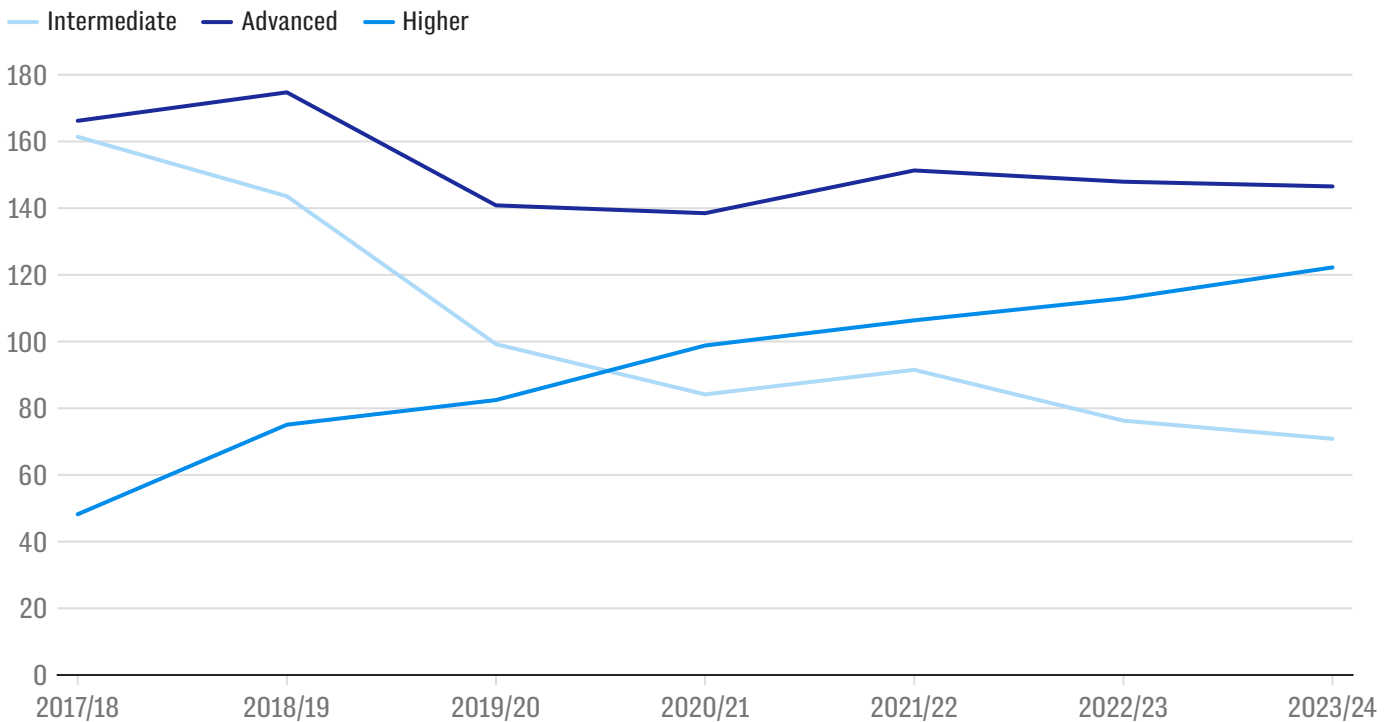
Money spent on those already in work

In 2023-24, more than £430 million of the £2.6 billion apprenticeship funding spent via the DfE went on those who had already been to university. Some £182 million of that expenditure supported level seven courses, which are the equivalent to a master’s degree.

Over 7,000 people began a senior leadership programme in that period, whilst another 9,000 began an accountancy or taxation professional apprenticeship scheme. The majority of those were in large levy-paying organisations, according to research by the Social Market Foundation.

Shift to higher-level apprenticeships

Apprenticeship starts by level



Source: Department for Education statistics

These higher level apprenticeships have become increasingly controversial. They are often used to teach existing workers new skills – widely referred to as “upskilling” – or deliver continuing professional development for managers already in post, and are frequently combined with a Master of Business Administration (MBA), a prestigious postgraduate qualification.

The higher level apprenticeship programmes are disproportionately used by large, levy-paying employers. Between 2022-2023, such companies accounted for 69 per cent of total apprenticeship spending.

Non-levy-paying SMEs accounted for fewer than 30 per cent of apprenticeship funding during the same period, but more than half of their apprentices were under the age of 19.

Critics of the current system, such as the The Social Market Foundation, say the solution is ring-fencing money for under 21s to ensure more roles are taken up by young people entering the workforce as new hires.

Onerous bureaucracy

Another issue is the bureaucracy at the heart of the scheme.

Apprentices are required to spend one day a week at a college or training provider, learning the theory of their chosen trade. Employers can [Manage Cookies](#)

funding to support this, and they then pay their apprentice for the four days a week they work for them.

But many SMEs, in particular, struggle to get to grips with the paperwork involved, on top of trying to turn a profit and managing other responsibilities.

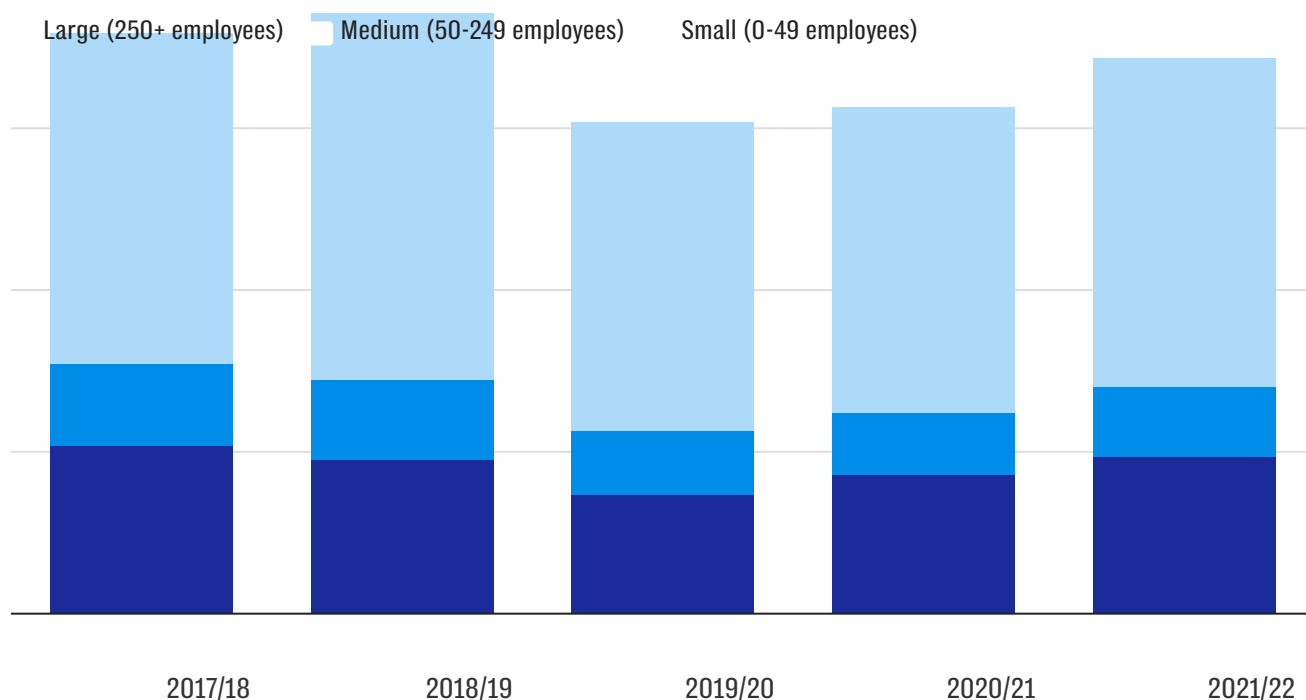
For Gilbert, the system proved to be so inaccessible that he was forced to reach out for external support. He credits Ajay Purbhoosing of WorkWhile, an initiative that helps employers to create more accessible work, with helping him to secure funding.

“I probably wouldn't have been able to get my apprentices without this support,” admits Benjamin, who now employs two apprentices. “Ajay talked me through how the whole system works and how the funds were available from the levy via the local council to fund the college training.

“We need more people like him, perhaps appointed by the Government, just to help small businesses navigate the system.”

Apprenticeship levy primarily used by large firms

Apprenticeship starts



Source: Department for Education statistics

Many believe the apprenticeship system can be disincentivising for small business owners. Andrew Eldred, chief operations officer of the Electrical Contractors' Association, says: “The levy funds pay for the training apprentices are required to do but they don't support the employment and recruitment of

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these workers. These costs are easily absorbed by a big company but, of course, it's more of a challenge for small businesses.

“It feels like there's sometimes a tendency, at the governmental level, to look at small employers taking on apprentices as altruism. Actually, it's an economic exchange with wider financial effects. Small businesses are only going to continue signing up to this system if there's a return on their investment.”

Eldred points out that most trade apprenticeships span four years, with many employers only beginning to see a financial benefit in the third year. However, with stubbornly high drop-out rates (around half of all apprentices quit before completing their programmes), taking on a new hire can sometimes be more costly and problematic than expected.

Inadequate training programmes

Apprenticeship standards – training programmes which contain a list of skills, knowledge and behaviours an apprentice will need to have learnt by the end of their course – have also proved to be a headache for would-be employers.

Industry sources say the regimes – developed by employer groups known as “trailblazers” – can often be outdated and difficult to comply with.

Nicola Hodkinson, owner director of construction firm Seddon, says they “haven't kept up with the specialisms in the sector, making it difficult for employers to offer the range of work needed”.



Angela Mansell's company launched an in-house traineeship to provide more specialised training than allowed by traditional apprenticeships Credit: Paul Cooper

Angela Mansell, managing director of Mansell Building Solutions in Manchester, says her company has resorted to launching an in-house traineeship to provide a more specialised and relevant programme.

Her company uses a modern spray plastering method which is not part of a traditional apprenticeship. This means it cannot meet the requirements to offer a plastering scheme and therefore does not qualify for funding via the levy.

Mansell argues the system should be changed so that firms can access funding for apprentices who are trained in house, rather than through colleges and other providers, in order to make programmes more adaptable and keep them in step with the changing nature of industry.

Debate over reforms

Aware of these systemic issues, the Government recently announced an overhaul of the apprenticeship system to “support opportunity” through a “growth and skills levy”.

It will be informed by recommendations from Skills England (a new arms-length body) and replace the existing apprenticeship levy, with the aim of rebalancing the funding for the benefit of younger workers.

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Some level seven apprenticeships will no longer be eligible for support via the levy, and companies will be able to use funds to pay for a wider range of training, including short courses and online masterclasses.

On Tuesday, the Government confirmed that companies will be able to hire apprentices over the age of 19 who do not have GCSE-equivalent maths and English qualifications to allow up to 10,000 more people to enter the workforce each year.



Work and Pensions secretary Liz Kendall, pictured here during a tour of apprentice training at Peterborough College, hopes to provide more apprenticeship opportunities for young people Credit: Getty

Halfon, who championed apprenticeships throughout his parliamentary career, argues that whilst there are issues with the current system, the levy is a vital concept that needs to be better utilised.

“[It] had a huge impact on changing the culture,” he says. “You now have big companies who have dedicated people on their board, tasked with the apprenticeship programme. That wouldn’t have happened in the past.

“It has also had a dramatic effect on the way we see apprenticeships. Over the last 10 to 15 years, we’ve seen a shift in apprenticeships only being viewed as training for the traditional crafts, to being far more wide-ranging and prestigious.”

But some industry leaders are concerned the proposed changes do not go far enough and warn any benefits from the overhaul will be offset by other policies, such as Chancellor Rachel Reeves' national insurance tax hike.

“We need [the] Government to reduce costs or offer incentives like tax breaks for taking on apprentices to create a more responsive system,” says Amit Oberoi, chairman of the Considerate Constructors Scheme.

Halfon agrees. He suggests a skills tax credit “for businesses who take on people for skills qualifications, in the same way we have research and development tax relief” as a way forward.

Smith, the skills minister, says: “Employers are [not] required to pay national insurance for apprentices under the age of 25 and we offer extensive support for recruiting and training apprentices to SMEs, with smaller employers eligible for funding of at least 95% of the apprenticeship training costs.”



Mike Tinmouth (left) says, ‘We need more engineers and young people with STEM knowledge’ Credit: ACUA Ocean

‘We need young people’

The ongoing debate threatens to overshadow National Apprenticeship Week, which concludes on Friday.

But to those in industry, it is clear there is potential waiting to be unlocked. Hodkinson says Seddon had over 1,100 applications for just 16 apprenticeship

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vacancies in 2024.

“We need more engineers and young people with STEM knowledge. Manufacturing, production; it’s the future, really,” says Tinmouth.

“We live in an increasingly challenging global environment. We need our young people to be trained in infrastructure work; robotics, AI, and the like. It’s absolutely imperative that the systems are there to facilitate this.”

Ella Nunn

12 February 2025 8:00pm GMT

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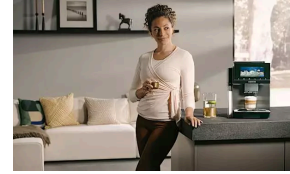
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