



## Executive Summary

This report presents findings from a systematic review of evaluations of the economic impact of apprenticeships, focusing in particular on the impact on workers and firms. It is the eighth review produced by the What Works Centre for Local Economic Growth.

The review considered more than **1,250** policy evaluations and evidence reviews from the UK and other OECD countries. It found **27** impact evaluations that met the Centre's minimum standards.

## Approach

The Centre seeks to establish causal impact – an estimate of the difference that can be expected between the outcome for workers undertaking, or firms offering, apprenticeships and the average outcome they would have experienced without the apprenticeship. Our methodology for producing our reviews is outlined in Figure 1.

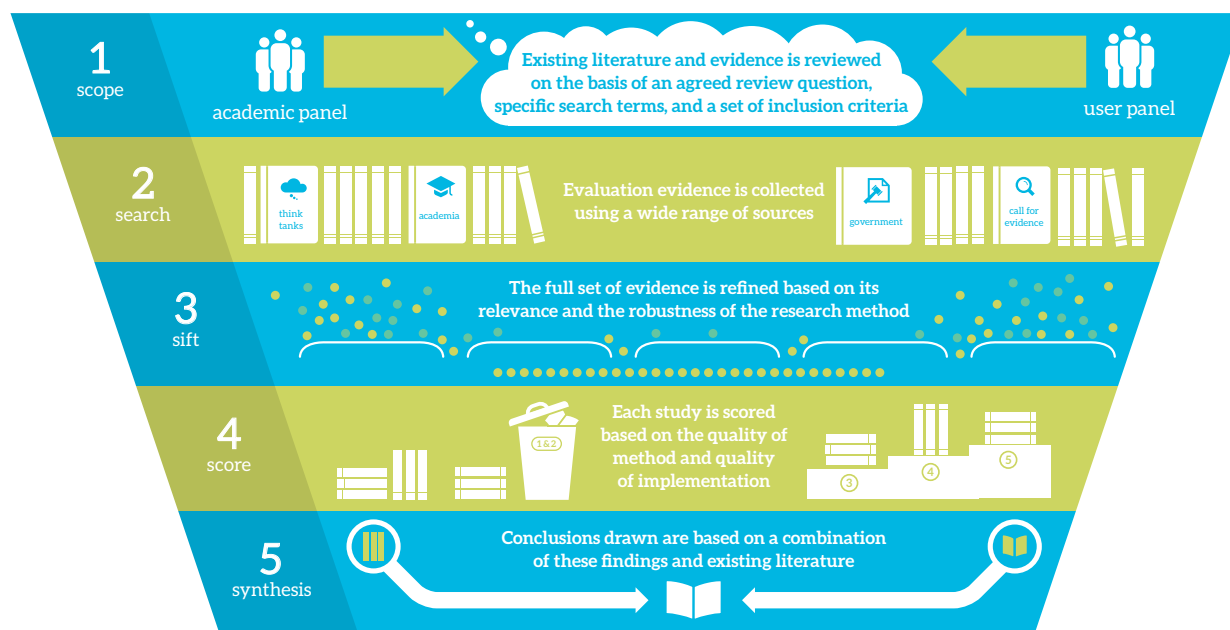
---

This review looks at the impacts of apprenticeship programmes on workers and firms. Apprenticeships are not easy to define and delivery models vary across countries. However, we can identify common features.

In this review, apprenticeships are defined as paid employment within a firm, alongside training that is usually provided by government, the employer, or a trade union, targeted specifically at school leavers. The apprentice often acquires a formal qualification by the end of the programme.

---

Figure 1: Methodology



## Findings

This review considers the impacts of apprenticeships on workers and firms. This section summarises the detailed findings. We emphasise that many of these findings depend on a small number of studies. They are, however, consistent with other research on apprenticeships and on employment training more broadly (see our first evidence review<sup>1</sup>).

## What the evidence shows

- There is some evidence that apprenticeships improve skill levels, and stimulate further training or study.
- Apprenticeships can increase wages, although in two evaluations effects are negative. Impacts also vary by type of participant.
- Apprenticeships tend to have a positive effect on participants' subsequent employment (and also reduce subsequent unemployment).
- Level 3 or higher apprenticeships deliver substantially higher lifetime wage gains relative to lower level apprenticeships (based on the limited UK evidence available).
- There is some evidence that apprenticeships are more likely to increase employment than other forms of employment training (unless that training also involves an in-firm element). The evidence of impact on wages is more mixed and appears to vary by gender.
- There is some evidence that identifies mechanisms that may increase entry into apprenticeships and attendance during the programme (e.g. pre-qualifications, higher wages and subsidies to individuals). However, we have less evidence on what works to ensure people complete apprenticeships.

## Where the evidence is unclear

- It is unclear whether the duration of the apprenticeship matters for effects on wages or employment (although longer apprenticeships that deliver higher qualifications may have more positive effects)

1. Available from: <http://www.whatworksgrowth.org/policies/employment-training/>

## Where there is a lack of evidence

- There is some evidence that firms participating in apprenticeships experience economic gains, such as higher productivity or profits. This fits with survey evidence, but more impact evaluations are needed.
- There is too little evaluation evidence to draw clear conclusions on whether apprenticeships work better in some sectors than others.
- There is some evidence that post-apprenticeship moves can increase wages although effects depend on circumstances
- There is no impact evaluation evidence looking at the effect of apprenticeships on a given local area (rather than individual participants or firms).
- There is no impact evaluation evidence comparing the effects of nationally run programmes versus locally run programmes.
- Existing ex-ante modelling suggests that the economic benefits of apprenticeships comfortably outweigh their costs. However, only one of the impact evaluations provides cost data in a form which allows us to calculate ex-post benefit-cost ratios for that programme.
- None of the shortlisted studies look at the effects of substantially scaling up apprenticeship provision, as is currently happening in the UK. We need more evidence on whether identified benefits also hold in a larger programmes. Given the other substantial changes to the UK apprenticeship system in the past decade and a half, more up to date UK impact evaluation evidence is also needed.

## How to use these reviews

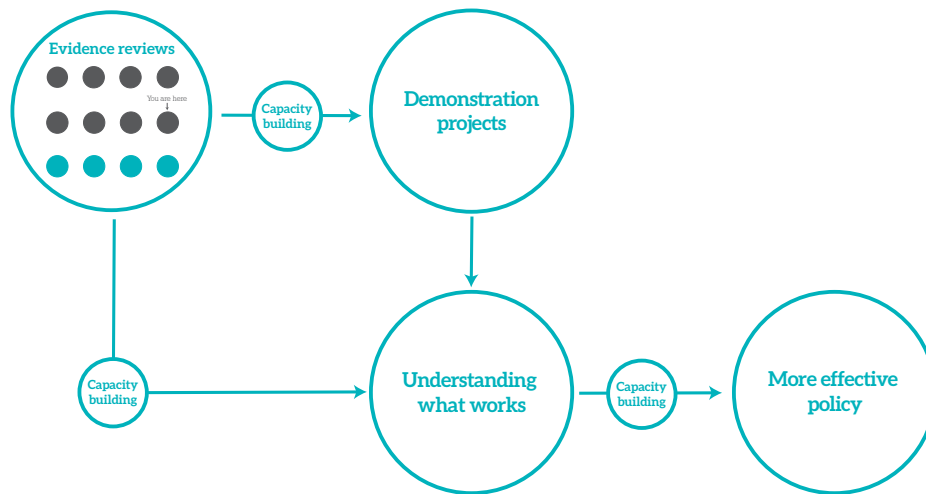
Apprenticeships are currently very high on the policy agenda, and the evidence review highlights a number of factors for policy makers to be aware of when considering apprenticeships:

- While the evidence suggests that higher level apprenticeships (specifically, Level 3 and above) may offer better outcomes, it does not currently tell us whether this is because stronger candidates gravitate towards more demanding programmes. If this is the case, policymakers need to consider how to address the needs of those 'left behind' by this type of apprenticeship offering.
- Any policy should carefully consider how to recruit firms to provide apprenticeships, and trainees to fill them. A better understanding of the costs and benefits to firms will help in this, as will a better understanding of which policy design aspects increase take-up and reduce drop-out.

## To determine policy priorities

The Centre's reviews consider a specific type of evidence – impact evaluation – that seeks to understand the causal effect of policy interventions and to establish their cost-effectiveness. In the longer term, the Centre will produce a range of evidence reviews that will help local decision makers decide the broad policy areas on which to spend limited resources. Figure 2 illustrates how the reviews relate to the other work streams of the Centre.

Figure 2: What Works Centre work programme



## Helping to fill the evidence gaps

As should be clear from this review, there are many things that we do not know about the local economic impact of apprenticeships.

If achieving local economic impact is an important part of the case for apprenticeship provision, then there need to be more evaluations that explicitly explore these impacts and how to maximize them. Central and local policymakers – and private sector partners – should:

- Look to undertake systematic comparisons that cover different kinds of apprenticeship model - for example, the German system versus a more decentralised system.
- Conduct further research looking at outcomes for firms. Surveys of firms who offer apprenticeships suggest those firms see clear benefits, but they may not be representative of all employers.
- Set up evaluations of scheme design and its effect on take-up, completion and outcomes. This is particularly important given devolution of skills budgets to cities such as London and Manchester. Central and local policymakers should work together to design robust evaluation that increases our understanding of how to improve the design of apprenticeships.
- Make scheme cost data available to researchers so that robust benefit-cost ratios can be calculated.

The Centre's longer term objectives are to ensure that robust evidence is embedded in the development of policy, that these policies are effectively evaluated and that feedback is used to improve them. To achieve these objectives we want to:

- Work with local decision makers to improve evaluation standards so that we can learn more about what policies work, where.
- Set up a series of 'demonstration projects' to show how effective evaluation can work in practice.

Interested policymakers please get in touch.

This work is published by the What Works Centre for Local Economic Growth, which is funded by a grant from the Economic and Social Research Council, the Department for Business, Innovation and Skills and the Department of Communities and Local Government. The support of the Funders is acknowledged. The views expressed are those of the Centre and do not represent the views of the Funders.

Every effort has been made to ensure the accuracy of the report, but no legal responsibility is accepted for any errors omissions or misleading statements. The report includes reference to research and publications of third parties; the What Works Centre is not responsible for, and cannot guarantee the accuracy of, those third party materials or any related material.