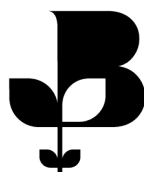




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APPRENTICESHIPS: WHAT BUSINESSES WANT



British
Chambers of
Commerce
FUTURE
OF WORK

**WHERE
BUSINESS
BELONGS**

CONTENTS

Executive Summary	4
Introduction	6
What do businesses want?	7
Addressing cost and bureaucracy	7
Flexibility	9
Matching training provision to local employer demand	11
Policy stability	12
Overarching barriers: transport, housing, and childcare	13
Funding	15
Conclusion	16
Full list of recommendations	16
References	18

EXECUTIVE SUMMARY



Apprenticeships are highly valued qualifications which businesses trust for workforce development, and learners appreciate as a rewarding pathway to progression. High-quality on-the-job training and rigorous standards, set by employers, mean apprentices can gain the essential and technical skills needed to succeed in the workplace.

However, many firms find the current apprenticeship system too rigid, with insufficient flexibility to meet diverse training needs across all sectors and business sizes. BCC research shows that 67% of businesses are facing skills shortages, and more than half (52%) don't feel current training options are enabling them to meet this skills requirementⁱ.

The British Chambers of Commerce (BCC), therefore, welcomes the government's commitment to reforming the apprenticeship system and introducing a more flexible Growth and Skills Levy.

But, while the government has promised greater flexibility, there is a lack of clarity on how this will be delivered. This policy instability is creating uncertainty, and stifling investment. A lack of standards at Level 2 and recent policy changes, such as the removal of funding for Level 7 apprenticeships, have also caused concern among businesses regarding support for higher-level skills, social mobility and routes into work.

To boost productivity and economic growth, more businesses should be supported to use apprenticeships. But system reform is also needed to give access to other training, as apprenticeships are not always the most appropriate option. To boost investment in a reformed apprenticeships and skills system, it must be employer-led; flexible and responsive to business needs; backed by adequate funding; and sit within a stable, coherent policy landscape.

To achieve this, BCC recommends a system that can be summarised in five key proposals:

1

Reform the Growth and Skills Levy to include funding for short, modular training, co-designed with employers, that can be stacked and delivered flexibly.

2

Use Local Skills Improvement Plans to inform training provision and national policy decisions for the long-term, including the introduction of more Level 2 standards and funding for Level 7 skills.

3

Recognise training spend as an investment and reduce the associated risk, cost and administrative burden for business.

4

Create a stable, coherent skills policy landscape and ensure everyone has access to affordable housing, transport and childcare.

5

Ringfence all revenue generated by the Growth and Skills Levy and Immigration Skills Charge for skills investment, with greater transparency on spending.



INTRODUCTION

Boosting investment in workforce skills is a key factor in driving economic growth across the UK. Therefore, the government's commitment to creating a more flexible Growth and Skills Levy, providing access to a menu of apprenticeships and shorter courses, is welcomed by employers.

A reformed system, which boosts access to apprenticeships as well as delivering additional investment in other training, will unlock productivity gains for business and the wider economy.

Businesses recognise the value of high-quality apprenticeships in developing the workforce of the future and upskilling current staff. But more support is needed to address the cost and administrative burden of taking on an apprentice, so more businesses and learners can take advantage of this high-quality pathway to progression. Alongside this, there must also be action on overarching barriers such as transport, housing and childcare.

However, apprenticeships are not always the best solution for every individual and every workplace skills need. BCC research shows that 67% of businesses are facing skills shortages, but more than half (52%) don't feel current training options are helping them to plug this gapⁱⁱ. That's why employers have called for more agility in the skills system, with greater use of accredited modular courses that provide rapid upskilling across all sectors and at all skill levels.

The clear trend in recent years has been an overall decline in employer and government investment in skills. Despite the introduction of the apprenticeship levy raising billions of pounds of additional funding to invest in workplace skills, there has been a fall in apprenticeship starts and completion rates.

Businesses say the current system is too rigid and does not provide the flexibility needed to address diverse training requirements across sectors and business sizes. The government has committed to introducing greater flexibility through the Growth and Skills Levy, but there remains a lack of clarity on how this will be delivered.

KEY CHALLENGES IDENTIFIED BY EMPLOYERS INCLUDE:



Inflexibility

Many employers and employees require short, modular training options rather than lengthy, rigid apprenticeships.



Cost and administrative burden

The rising cost of employing apprentices and complex administrative requirements deter investment in apprenticeships, especially among SMEs.



Mismatch of training provision

Local training often does not align with employer demand, highlighting the importance of employer-led Local Skills Improvement Plans (LSIPs).



Policy instability

Constant tinkering and change creates confusion and damages employer confidence.



Structural barriers

Issues such as inadequate transport, housing, and childcare further limit apprenticeship uptake, particularly for SMEs.

To ensure the reformed apprenticeship system meets the needs of employers, it is essential that changes are shaped by employer demand and informed by up-to-date evidence on skills needs. This paper sets out the BCC's priorities for reform that unlocks investment in skills, boosts growth and supports workforce development in businesses of every size and sector.

WHAT DO BUSINESSES WANT?

Businesses want apprenticeships. They are highly valued by employers and learners alike because they offer hands-on learning through on-the-job experience and are backed by independent assessment. Apprenticeships provide a quality alternative to a traditional academic route to progression from Level 2 to Level 7, meaning learners can continue to upskill throughout their careers, up to a postgraduate degree level.

The esteem of apprenticeships means they are in high demand. But BCC members have consistently raised concerns about systematic barriers to investing in and completing them. These barriers include the cost of employment and investment in apprenticeships, the administrative burden of the system, inconsistent local training provision, policy instability, and structural issues, such as housing.

The following sections dissect these barriers and offer a vision of a system which would help more businesses access apprenticeships. Where they are not appropriate to address a skills need, the system should support firms to invest in shorter, modular training through a flexible Growth and Skills Levy, co-designed with employers.

Addressing cost and bureaucracy

Scale of the cost challenge

The cost of employment has risen sharply in recent years, and training budgets are often the first to be cut when labour costs rise. In 2025, BCC research found that nearly 1 in 5 (19%) firms were planning to reduce their training budget as a direct result of the rise in the National Living Wage (NLW). In the same survey, 13% of firms had already made staff redundant due to the increase in employer National Insurance (NI) contributions in the 2024 autumn budgetⁱⁱⁱ. Businesses are still struggling to absorb these unexpectedly high costs.

Bureaucracy is a barrier

SMEs with limited HR resource report that the administrative burden of signing up to the apprenticeships system, participating in regular progress reviews and supporting apprentices through the End Point Assessment (EPA) process is too high. In a 2022 BCC survey, 12% of firms said that they 'could not manage' these admin requirements^{iv}.

Addressing cost

Ahead of the 2025 Budget, the BCC's message to government was clear: no more tax on business, including no rise in the Levy rate, no lowering of the threshold of the levy, and no further restrictions on apprenticeship funding. For the most part, government listened to our calls. However, levy payers who go above and beyond to invest in skills have been disappointed to hear that they will no longer be able to access full funding for apprenticeships once they have exhausted their levy funds. The government should support and incentivise proactive employers who invest in recruiting and training a skilled workforce.

Cost is often the most significant barrier to taking on an apprentice, particularly the associated costs of wages, backfilling roles, and allowing time for Off The Job training. Businesses are already concerned about further employment cost rises and the impact on opportunities for young people. More than a third (37%) say the proposal to lower the age threshold for the NLW from 21 to 18 will make it less likely they will recruit people from this age group. That proportion rises to 54% of firms with fewer than 10 employees^v.

Investment and risk

The Employment Rights Act has also increased businesses' concerns around the cost and perceived risk of employment. This is likely to impact on apprenticeship opportunities, particularly for young people with less experience or additional barriers to work.

A 2023 BCC survey found that 58% of businesses did not have any process in place to assess the return on investment in training^{vi}. This means many employers consider the risk of investment, but not the potential reward. As a result, while welcome, it is unlikely that the 2025 Autumn Budget announcement of fully funded apprenticeships for those under 25 will, alone, drive a substantial increase in uptake.

Businesses continue to face mounting cost pressures and a growing list of expectations from government. At the same time, many are still struggling to absorb recent increases in NI contributions, making it more difficult to invest in skills. More businesses would be able to invest if there was support to manage the cost and bureaucracy of apprenticeships.

The government must set out a long-term plan for skills which fits within a coherent and ambitious blueprint for UK economic growth. This should include incentivising training spend in the same way as other business investments are encouraged - through the tax system.

RECOMMENDATIONS TO ADDRESS THE COST AND BUREAUCRACY OF THE APPRENTICESHIP SYSTEM:

- Reduce the administrative burden of apprenticeships, particularly for SMEs, while maintaining quality and rigour. For example, by reducing 'Off The Job' requirements and the frequency of tripartite reviews.
- Avoid further increases in the cost of employing young apprentices by delaying the planned lowering of the National Living Wage threshold to age 18.
- Promote existing funding reliefs, such as levy transfer and NI exemptions for apprentices under 25 to increase awareness of support.
- Demonstrate a clear return on investment for businesses taking on apprentices. Extend the Annual Investment Allowance to cover all training investments.
- Encourage employers to continue to invest in young people, by keeping apprenticeships fully funded for under 25s, regardless of levy contribution.



Flexibility

Employer frustration

While apprenticeships are highly valued by employers, they are long, inflexible and not appropriate for every role, employee or business. Often, learners only need to upskill in a specific area or are unable to commit to several years of training in one occupation. Employers and employees alike are seeking short, high-quality modular training courses which can fit around work and other life commitments. However, the Levy system channels funding towards long apprenticeships.

In 2024, 30% of firms surveyed by BCC said they do not need apprenticeships. But 37% said they intended to invest in short, accredited courses in the next 12 months. Typical feedback from employers was summed up by one Chamber member who said, 'Apprenticeships have rigid scope which is not aligned to what we need'^{vii}.

Flexing the system

The solution is not only to reform apprenticeships but also give businesses access to other training options through the Growth and Skills Levy.

Therefore, the government's October 2025 announcement that some short courses known as apprenticeship units will be funded through the Levy is welcome. This flexibility will stimulate additional investment in training, helping to build a culture of lifelong learning and professional development.

Employers need more details on apprenticeship units so that they have the confidence to continue planning for and investing in skills. It is important that apprenticeship units are co-designed in true collaboration with employers, so that they can meet the needs of all workplaces.



Apprenticeship units: What should they look like?

It is difficult to recommend a specific list of training that employers need access to, as this differs by the sector, size and plans of the business. However, there are two key priorities for business which should inform the design of apprenticeship units.

Firstly, it is important that the delivery of apprenticeship units is flexible. They need to be delivered in a condensed format and completed more quickly than the equivalent 'module' of an apprenticeship, while maintaining high standards of quality. This is important to remove the rigid structure of an apprenticeship. This is a barrier to many employers and apprentices, who feel that the training cannot be delivered flexibly around other work or home commitments.

Secondly, apprenticeship units must be available in crosscutting, sector-enabling subjects such as management. These are skills which unlock productivity gains and are needed in every Industrial Strategy priority sector. Many employers used Level 7 apprenticeships to upskill staff in leadership and management, but with levy funding removed, they can no longer access this training.

Management and leadership are key to productivity

The threat of further restrictions to management apprenticeships at lower levels is also damaging business confidence and would be counterproductive to growth. Management and leadership skills are absolutely key to boosting productivity in the workforce from Level 3 to Level 7.

It is, therefore, vital that apprenticeship units deliver the promised flexibility and help to address the training gaps created by the removal of Level 7 provision or defunding of management and leadership training at any level. As well as cross-cutting skills such as management and leadership, there are also acute shortages at Level 7 in other areas essential for economic growth, such as the need for more qualified town planners.

RECOMMENDATIONS TO CREATE A FLEXIBLE APPRENTICESHIP SYSTEM:

- Reform the Growth and Skills Levy to fund a wide range of short, modular, and flexible training.
- Businesses need certainty and clarity to plan investment. Following consultation with businesses, government must swiftly set out:
 - The exact content that will be eligible as apprenticeship units
 - How much levy funding can be invested in apprenticeship units (Labour originally proposed 'up to 50%' before entering government)
- Co-design apprenticeship units with industry and training providers, ensuring flexibility in delivery and duration. Allow apprenticeship units to be 'stacked' and recognised for future training.
- Apprenticeship units must be available for all skills which are no longer funded due to Level 7 restrictions, including leadership and management.
- Higher level skills are vital to unlocking productivity and driving growth. There must be no further restrictions to apprenticeships at different levels, for example by removing funding for Level 6 apprenticeships.

Matching training provision to local employer demand

Local engagement, national impact

As training provision is generally driven by learner demand, the availability of apprenticeships in a given area may not match the needs of the local labour market. Local Skills Improvement Plans (LSIPs) are working to address this problem by bringing employers and providers together to identify priority skills shortages and design courses to meet those needs.

In the first few months alone, over 65,500 SMEs engaged with LSIPs, many getting involved with the skills system for the first time. Since then, the relationships between providers, employers and local stakeholders have deepened, with many productive collaborations across the country:

- Thousands of people have completed courses designed through LSIPs
- Colleges have built new premises and updated equipment to enable them to better meet the skills needs of businesses and learners
- Employers have facilitated industry exchange experiences for educators
- Many thousands of businesses have started to plan proactively for their skills needs.

It is vital that LSIPs remain employer-led to embed the business voice at the heart of the skills landscape.

Reflecting employer feedback

The removal of funding for Level 7 apprenticeships presents a challenge. This is because businesses who may have been able to fund the training, may find courses have been withdrawn by local providers as they are no longer financially viable. This will leave firms and learners unable to access the apprenticeship training they need. Therefore, it is crucial that the reformed Growth and Skills Levy provides access to Level 7 training across England through apprenticeship units.

CASE STUDY

Employer-provider collaboration through the Berkshire and Oxfordshire LSIP

The LSIPs for Berkshire and Oxfordshire, led by the Thames Valley Chamber of Commerce, have delivered tangible improvements in local training provision through the creation of five sector-based Workforce Development Partnerships (WDPs). These partnerships enable employers, education and training providers, and partners to collaborate directly on practical solutions that address local workforce need and are grounded in real business priorities. As a result, Windsor College has introduced two new apprenticeships in media industries (Content Creator and Production Assistant). These directly address priorities and recruitment gaps identified in the Local Skills Improvement Plan.

RECOMMENDATIONS TO CREATE A RELEVANT, RESPONSIVE AND EMPLOYER-LED APPRENTICESHIP SYSTEM:

- Confirm long-term funding for employer-led LSIPs.
- When setting policy, Skills England should actively consider all intelligence on apprenticeships and the wider labour market gathered by LSIPs, as should all government departments.
- Introduce more apprenticeship standards at Level 2 to provide clear progression pathways into work for people in their local area.

Policy stability

Recent reforms

In February 2025, UK government announced a series of changes to apprenticeships including a reduction in the minimum length to 8 months (from 12), removing maths and English requirements, and the introduction of Level 2 foundation apprenticeships. These reforms came in response to feedback from employers and training providers that some apprenticeships are too long due to the previous 12-month minimum duration. Some standards at Level 2 were being artificially extended to meet this minimum duration.

The government has since approved 8-month Level 2 Foundation Apprenticeships in a small number of sectors such as health and care. These are intended to support further progression onto higher levels of study or work. Employers have welcomed the introduction of Foundation Apprenticeships to provide more training and routes to progression at Level 2. But they are seeking more clarity on how foundation apprenticeships differ from other L2 apprenticeships.

Employers reported that the long waiting time for an End Point Assessment (EPA) was a barrier to completion. The government has now reformed EPA requirements, to allow providers to assess some apprenticeships in-house over the course of the programme. However, this has shifted more of the assessment requirement onto employers. They are concerned about the increased burden this places on line managers. This is particularly true in sectors such as retail, where there is often not a close, long-term relationship between the line manager and the employees to fairly assess progression.

Instability creates uncertainty

Changes which 'tinker around the edges' of the apprenticeship system are unlikely to shift the dial on employer investment, as they do not effectively remove the barriers highlighted above. Instability creates confusion and uncertainty, which in turn stifles investment. The BCC's 2025 Workforce Survey found that 61% of firms thought the recent reforms would have no bearing on their hiring decisions, while 19% said they would be less likely to take on apprentices^{viii}.

Reforms to apprenticeship standards are not the silver bullet solution. The right training already exists; businesses just need support to access it.

Government should avoid continuing to reform apprenticeships and risk diluting the perceived high-quality of these qualifications. Instead, the government should make it easier to invest in non-apprenticeship training which may be more suitable to meet the need for short, flexible training.

RECOMMENDATIONS TO BUILD EMPLOYER CONFIDENCE IN THE APPRENTICESHIP SYSTEM:

- Pause planned reforms to apprenticeship standards and commit to a period of policy stability

Overarching barriers: transport, housing, and childcare

Beyond the skills system

Structural barriers such as a lack of affordable transport, housing, and childcare - in the places people need them - prevent potential employees from accessing opportunities. These overarching issues cannot be addressed by employers alone, especially SMEs, and need strategic cross-government action.

While these issues can affect many in the workforce, they can have an additional impact on apprentices. For example, apprenticeships are likely to involve travel to industrial estates or construction sites with poor public transport services or working hours which do not follow a traditional 9-5 pattern.

Impact on business

The BCC's 2024 Workforce Survey found that a quarter of businesses (26%) reported a lack of applicants to their apprenticeship vacancies. Furthermore, 14% of businesses said that they had been unable to recruit or retain talent due to childcare obligations^{ix}.

Experiences cited by Chamber members include:

"Too remote, no transport for them." (Small Agriculture, forestry, fishing, or mining firm in West Cheshire and North Wales)

"The workforce needs a car to get to our sites or offices. Apprentices don't generally have cars." (Medium sized construction engineering, or trades firm in Essex)

RECOMMENDATIONS TO ADDRESS STRUCTURAL BARRIERS TO APPRENTICESHIPS:

- A cross-departmental effort should be made to ensure everyone has access to
 - Affordable childcare
 - Affordable, reliable and well-connected public transport
 - Affordable housing in the places that people live and work.





FUNDING

Who will pay?

The principles set out above outline the apprenticeship system that businesses want to see. However, this can only be delivered through adequate funding. BCC understands the challenging fiscal environment faced by the government, but employers are also facing rising cost pressures. Energy bills, labour costs and the incoming Employment Rights Act are all piling further burdens on businesses' balance sheets.

The government must fund the Growth and Skills Levy without increasing the tax burden on business. Economic growth and rising wages will naturally increase levy receipts over time, therefore there is no need to add further cost pressures on employers by increasing the levy rate or lowering the threshold for payment.

Short courses will stimulate more demand for training, which is to be welcomed. Therefore, the apprenticeship budget must be expanded to accommodate this increased demand, rather than restricting access to training, such as Level 7 apprenticeships. These have played an important role in supporting social mobility and achieving parity of esteem between academic and vocational routes. Higher level apprenticeships are key to driving productivity within organisations and unlocking growth.

Maximising employer contributions

There is a better solution to 'grow the size of the pie'. The latest Office for Budget Responsibility (OBR) analysis shows that by 2029/30, the levy will raise over £5bn^x. Some of this is allocated to apprenticeships, and some to devolved nations. However, the OBR also forecasts that in the same period, HM Treasury will take a margin of over £1bn. It should allocate the entire Levy revenue directly to skills to expand employer-led training and give full transparency on how the money is spent.

RECOMMENDATIONS FOR AN ADEQUATE FUNDING ENVIRONMENT WHICH CAN DELIVER THE APPRENTICESHIP SYSTEM THAT BUSINESSES WANT:

- Ringfence all revenue from the Growth and Skills Levy and the Immigration Skills Charge for skills investment, with greater transparency on spending.
- The BCC accepts there are funding constraints, but different rules create unnecessary confusion. At a minimum, funding for Level 7 apprenticeships should be extended to all individuals under the age of 25. This would ensure alignment with other policies such as the youth guarantee and reflect employer demand for high-level skills. The impact of Level 7 defunding should be monitored, and funding reinstated for all ages when fiscally possible.



CONCLUSION

Apprenticeships and skills policy must be shaped by the needs of employers. This paper has set out the barriers businesses face and made practical recommendations for reform.

A successful apprenticeship system must be flexible, employer-led, and responsive to local demand. It should enable businesses of all sizes to invest confidently in skills, supported by clear funding, reduced administrative burdens, and joined-up government action on wider workforce barriers. Policy stability is essential to build employer confidence and encourage long-term investment.

By implementing these recommendations, the government can create a skills system that supports business growth, unlocks productivity, and ensures opportunities for people in every part of the country. The Chamber network stands ready to work with partners across government and industry to deliver a system that works for business and for the UK economy.

FULL LIST OF RECOMMENDATIONS

1. Reduce the administrative burden of apprenticeships, particularly for SMEs. For example, by reducing 'Off The Job' requirements and tripartite reviews.
2. Avoid further increases in the cost of employing young apprentices by delaying the planned lowering of the National Living Wage threshold to 18.
3. Promote existing funding reliefs, such as levy transfer and National Insurance exemptions for apprentices under 25 to increase awareness of support.
4. Demonstrate a clear return on investment for businesses taking on apprentices. Extend the Annual Investment Allowance to cover all training investments.
5. To encourage top apprentice employers to continue to invest in young people, apprenticeships should remain fully funded for under 25s, regardless of levy contribution.
6. Reform the Growth and Skills Levy to include funding for a wide range of short, modular, and flexible training.
7. Following consultation with businesses, government must swiftly set out:
 - a. The exact content that will be eligible as apprenticeship units
 - b. How much levy funding can be invested in apprenticeship units (Labour originally proposed 'up to 50%' before entering government)
8. Co-design apprenticeship units with industry and training providers, ensuring flexibility in delivery and duration. Allow apprenticeship units to be 'stacked' and recognised for future training.
9. Apprenticeship units must be available for all skills which are no longer funded due to Level 7 restrictions, including leadership and management.
10. Higher level skills are vital to unlocking productivity and driving growth. There must be no further restrictions to apprenticeships by level, for example by removing funding for Level 6 apprenticeships.
11. Confirm long-term funding for employer-led LSIPs.
12. Skills England must actively consider intelligence gathered by LSIPs when setting policy, as should all government departments.

13. Introduce more apprenticeship standards at Level 2 to provide clear progression pathways into work.
14. Pause planned reforms to apprenticeship standards and commit to a period of policy stability.
15. A cross-departmental effort should be made to ensure everyone has access to:
 - a. Affordable childcare
 - b. Affordable, reliable and well-connected public transport
 - c. Affordable housing in the places that people live and work.
16. Ringfence all revenue from the Growth and Skills Levy and the Immigration Skills Charge for skills investment, with greater transparency on spending.
17. The BCC accepts there are funding constraints, but different rules create unnecessary confusion. At a minimum, funding for Level 7 apprenticeships should be extended to all individuals under the age of 25. This would ensure alignment with other policies such as the youth guarantee and reflect employer demand for high-level skills. The impact of Level 7 defunding should be monitored, and funding reinstated for all ages when fiscally possible.



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