



EXECUTIVE INSIGHTS

Apprenticeship in France — Review of NPEC Evolution Between Summer/Autumn 2022 and November 2022

Summary

- The French government's 2018 reform of apprenticeship has been a major success; the number of students grew strongly, reaching 799,000 in 2021, and the unemployment rate in the population segment aged 15-24 significantly declined.
- However, this success has led to a large deficit for the France compétences, organization, estimated at €6 billion for 2022. A reduction in coverage per student (niveau de prise en charge, or NPEC) was recommended to address the deficit.
- The evolution of NPECs between July and September 2022 indicates that only 33% of them have reduced, while 44% have increased.
- In July 2022, France compétences made recommendations on 12,000 NPECs, advocating a decrease for almost two-thirds of them, but only 22% were reduced in September 2022. Most of the NPECs for which a strong reduction was recommended by France compétences have not been modified.
- In October, France compétences made new recommendations on c. 5,000 NPECs that were also covered in July's recommendations. Almost none of them have seen their value modified. Most of the new recommendations are above July levels, and none are below.
- In November 2022, NPECs were updated with almost as many increases as reductions (with a 3% increase vs. a 4% reduction on c.680,000 NPECs, and for those for which recommendations were made in October, a 40% increase vs. a 42% reduction).
- The trend in recommendations suggests that the objective of supporting apprenticeship and avoiding systemic disruption remains, despite France compétences' deficit.

The apprenticeship reform of 2018

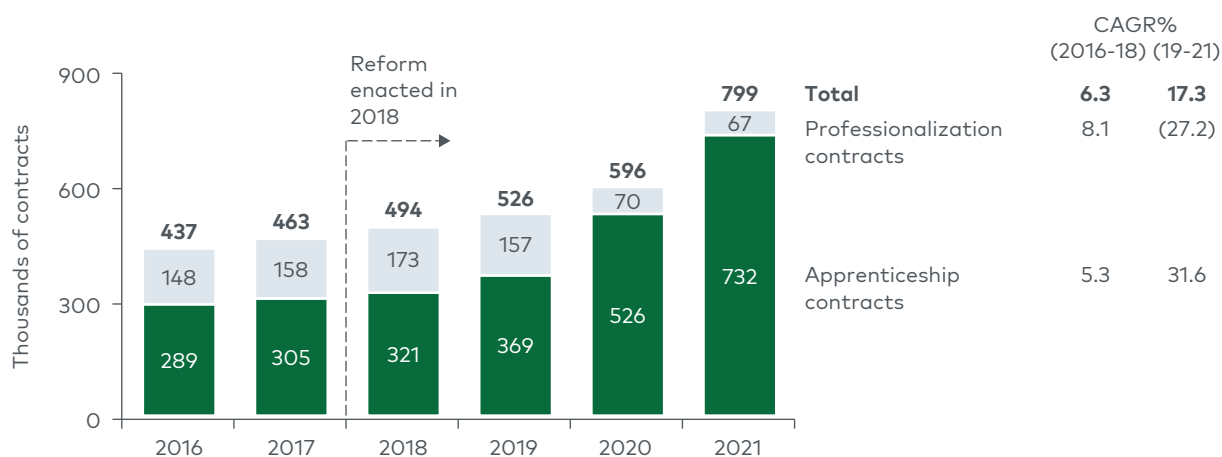
Emmanuel Macron was elected president of France in May 2017. The unemployment rate of the population segment aged 15-24 was 24.6% then (source: INSEE). Apprenticeship was seen as a key lever to reduce unemployment in this age group, and a reform to support its development was implemented in 2018.

The reform aimed to develop apprenticeships in France to improve the integration of young people into employment. Key aspects included:

- Liberalization of opening rules for formation centers (centres de formation d'apprentis or CFAs) (resulting in a strong increase in the number of centers; more than 27% per year between 2018 and 2020 (source DEPP))
- An extension of the age cutoff for students from 25 to 29
- Creation of France compétences, an institution dedicated to professional training and education and in charge of piloting and regulating the financing of it at the national level
- A level of coverage called niveau de prise en charge (NPEC) per student, which is now defined in consultation with the 200 professional branches through the National Joint Employment Commissions and Commissions Paritaire Nationales pour l'Emploi

This reform was a major success, with the number of apprenticeship and professionalization contracts growing from 494,000 to 799,000 between 2018 and 2021 (c.18% per year), as seen in Figure 1 below. It led to approximately 336,000 additional students in three years, mostly driven by apprenticeship contracts, the focus of the reform. As of Q2 2022, the unemployment rate in the population segment aged 15-24 was down to 17.8%, a 6.8 percentage point decrease compared with Q2 2017. From our experience in the sector, companies and students are pleased with this reform and the opportunities it provides.

Figure 1
Evolution of the number of apprenticeship and professionalization contracts (2016-21)



Note: CAGR=compound annual growth rate
Source: DARES, L.E.K. research and analysis

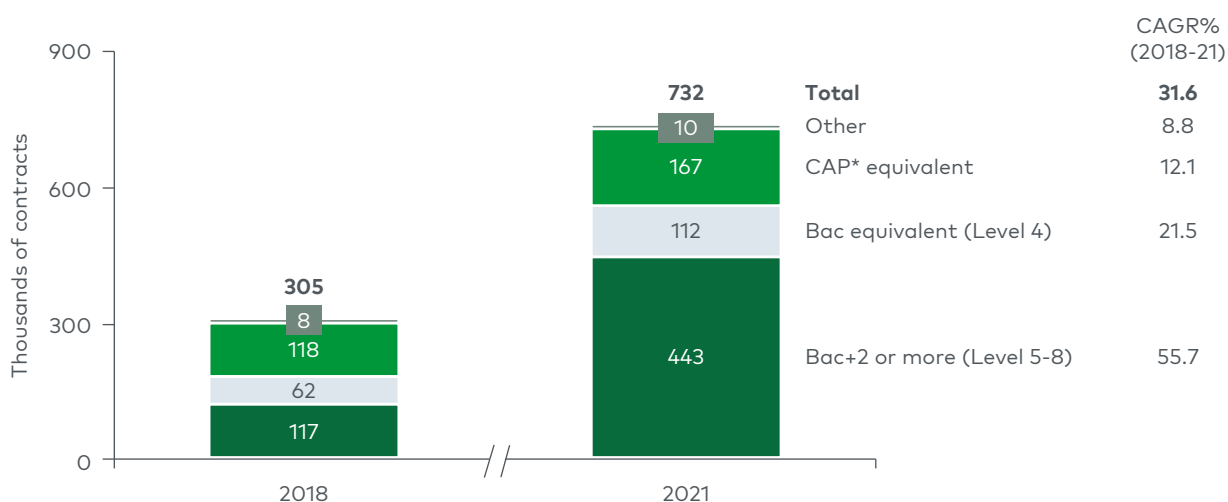
Historically apprenticeship was one of the few education segments impacted by economic crises (given companies' involvement in the system). However, during COVID-19, the government's "1 jeune, 1 solution" plan strongly supported apprenticeship through exceptional aid of €8,000 per apprentice recruited.

Furthermore, in June 2022, the government reiterated its intent to support the development of apprenticeships, aiming for 800,000 contracts in 2022 and 1 million contracts per year by the end of the presidential term in 2027.

It should be noted that a significant share of growth in apprenticeship contracts comes from the "Bac+2" (associate degree) level and above, while the government aimed primarily to develop lower levels, which could lead to some adjustments in the future (see Figure 2).

Figure 2

The reform's impact on the number of apprenticeship contracts by degree level (2018-21)



*Certificat d'Aptitude Professionnelle: Certificate of Professional Competence

Note: CAGR=compound annual growth rate

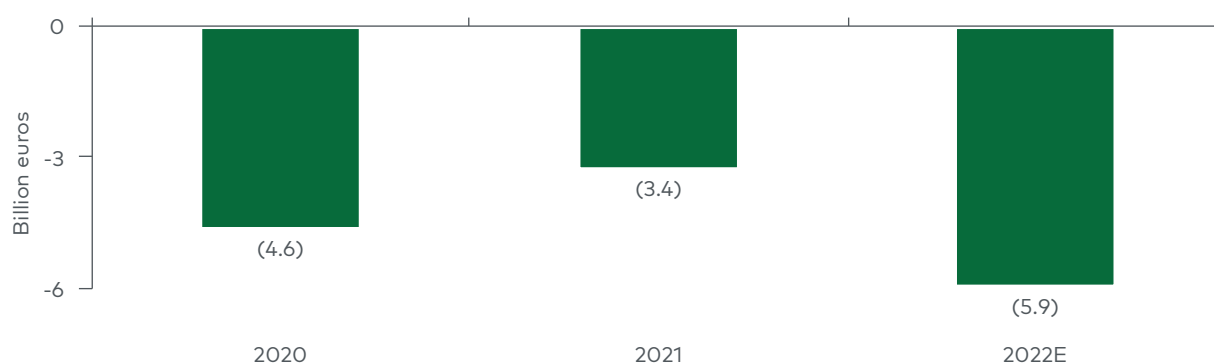
Source: DARES, L.E.K. research and analysis

Funding implications of the reform

The success of the apprenticeship reform has resulted in significant financing needs. To mitigate the reform's impact and limit France compétences' deficit, the April 2020 report from Inspection Générale des Affaires Sociales (IGAS) and Inspection Générale des Finances suggested, among other measures, that the professional branches lower the NPECs of apprenticeship contracts by an average of 3% per year between 2020 and 2023.

In a release published in 2022, IGAS estimated the deficit of France compétences at €3.4 billion in 2021 and expects it to reach c.€6 billion for 2022 (Editor's note: France compétences is also in charge of the Professional Training Account) (see Figure 3).

Figure 3
Annual deficit of France compétences (2020-22E)



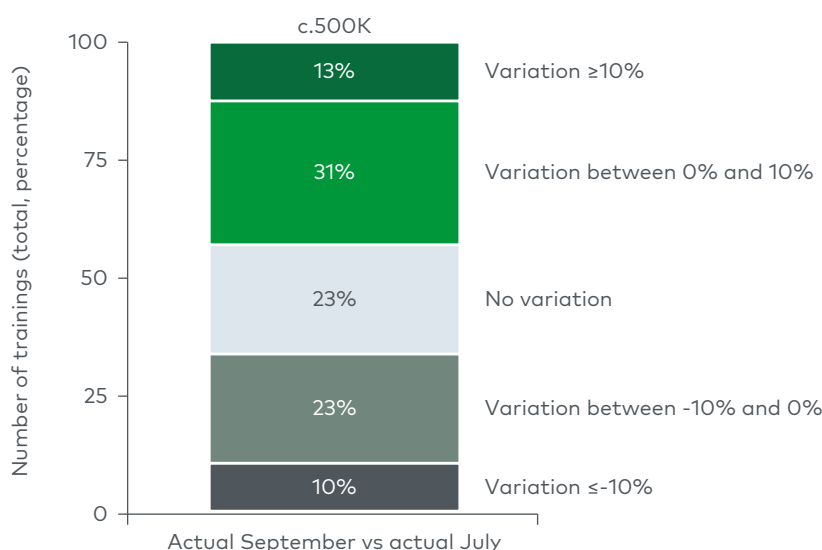
Source: Inspection Générale des Affaires Sociales, Cour des comptes, L.E.K. research and analysis

July-September 2022 trends

France compétences regularly publishes NPECs, which depend on the type of training (as listed in the Répertoire National des Certifications Professionnelles) and the professional branches. These NPECs are set by the professional branches, while France compétences makes recommendations only if the NPECs differ materially from the estimated cost of the training.

NPEC values were published in November 2022 and before that in September 2022 and July 2022. In the September 2022 update, 44% of NPECs had increased, while only 33% had reduced, compared with July (see Figure 4).

Figure 4
Global evolution of actual apprenticeship NPECs (July-September 2022)



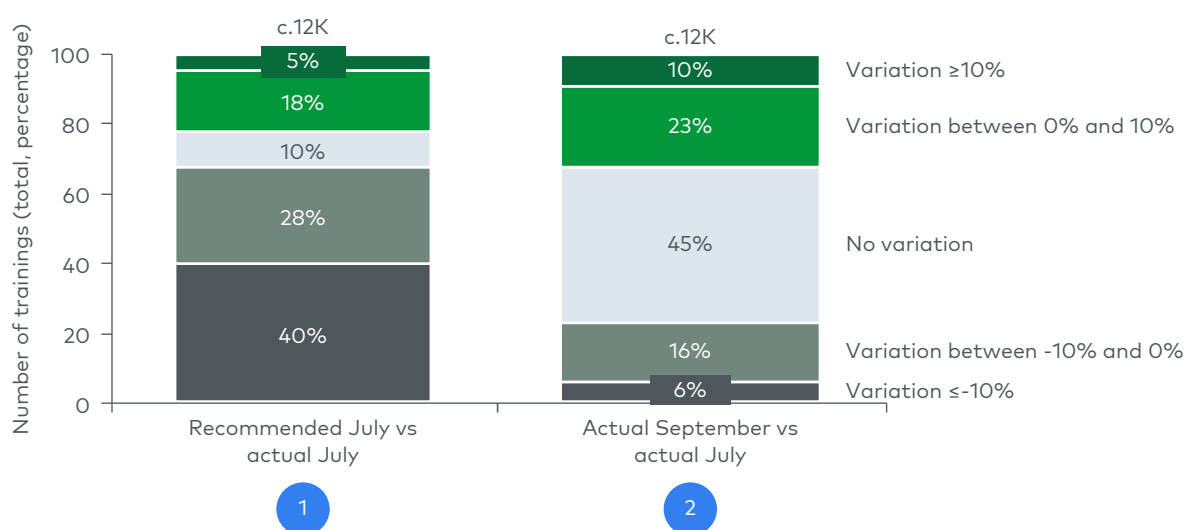
Source: France compétences, L.E.K. research and analysis

In July 2022, France compétences issued recommendations on nearly 12,000 NPECs, proposing a decrease in value for almost two-thirds of them (Graph 1 of Figure 5); these recommendations also included the new values proposed by the professional branches. In the NPEC update of September 2022, only half of these c.12,000 NPECs had their values effectively modified, and the majority have seen an increase in value between July and September 2022 (Graph 2 of Figure 5).

France compétences published another set of recommendations in October 2022 on 6,000 NPECs.

Figure 5

Comparison of the c.12K NPECs recommended in July by France compétences (1) and their actual evolution in September (2) (2022)



Note: NPEC=coverage per student

Source: France compétences, L.E.K. research and analysis

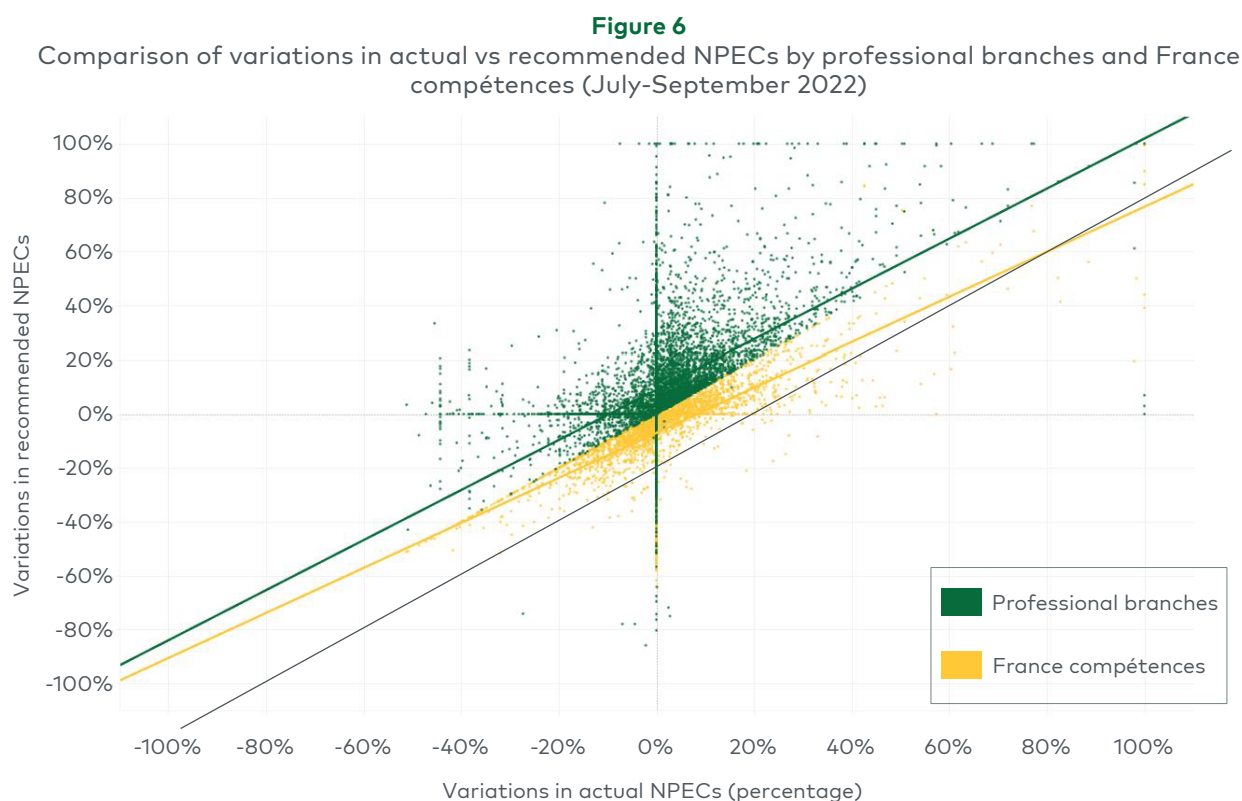
When looking into the France compétences recommendations, we see that:

- While the recommendations of the professional branches (on the c.12,000 NPECs covered in July) are mostly higher than the real evolution between July and September, France compétences' recommendations are lower.
- The value of the NPECs where France compétences recommended a strong decrease remained mostly stable between July and September.
- In October's recommendations, 5,000 out of the 6,000 recommendations were on NPECs that were part of July's recommendations. Values for 99% of them did not evolve between July and September. The new recommendations from France compétences on these 5,000 are mostly above July's recommended value, and none have experienced a decrease.

The trend seems to show that despite France compétences' deficit, **the objective remains to support the system and avoid strong cost reduction** that could disrupt the system and threaten the objective of reaching 1 million students in 2027.

July's recommendations of the professional branches and France compétences vs actual evolution between July and September

Figure 6 provides a comparison of the actual evolution of the NPECs released in September (abscissa) and the July recommendations (ordinate) with, on the one hand, modifications recommended by the professional branches (green dots in Figure 6) and, on the other hand, by France compétences (yellow dots in Figure 6).



Note: NPEC=coverage per student

Source: France compétences, L.E.K. research and analysis

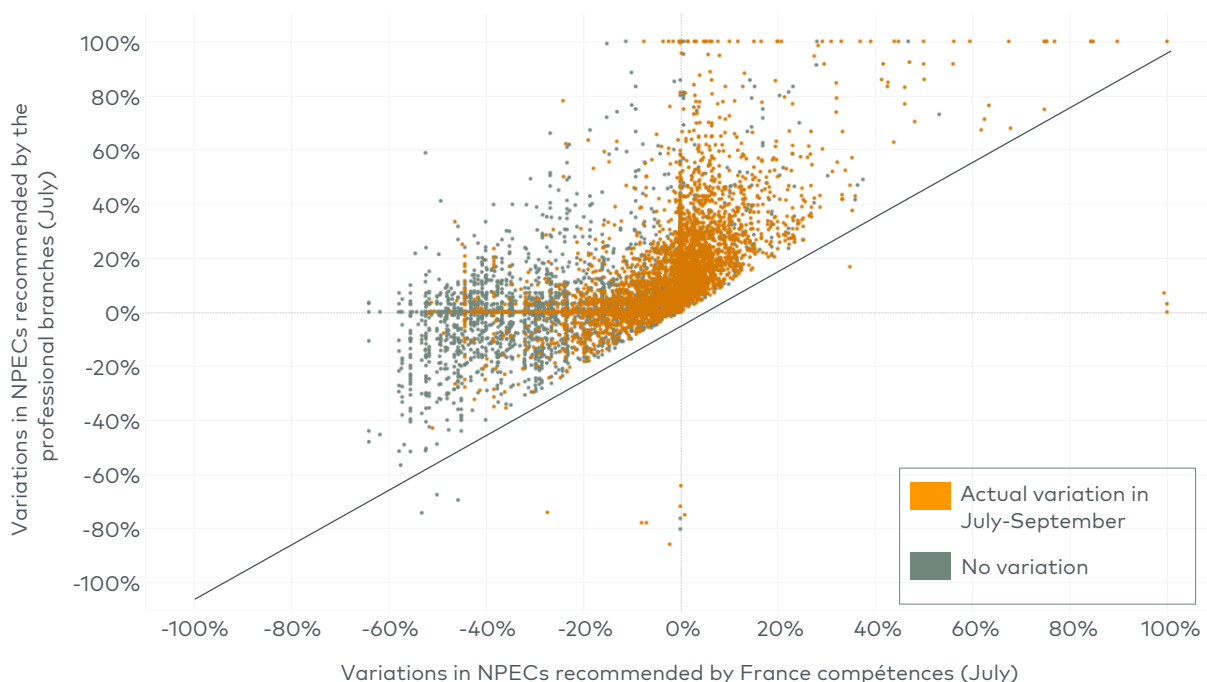
As can be seen, the actual variations in the NPEC values are mostly below the recommendations of the professional branches (green dots above the black diagonal), while they are overwhelmingly above the recommendations of France compétences (yellow dots below the black diagonal).

On the NPECs for which France compétences recommended strong reductions, the values were usually not modified

We compared the recommendations of France compétences (abscissa) and the professional branches (ordinate), distinguishing between cases where the NPECs were changed between July and September 2022 (orange dots in Figure 7) and cases where the NPECs remained unchanged (gray dots).

Figure 7

Comparison of variations in NPECs recommended by the professional branches vs France compétences (July 2022)



Note: NPEC=coverage per student

Source: France compétences, L.E.K. research and analysis

Given the origin of these analyses (France compétences recommending changes to NPECs), it is logical that, with very few exceptions, France compétences' recommendations are lower than those of the professional branches (a few dots below the black diagonal).

Out of the c.12,000 recommendations issued, the NPECs that did not vary are those on which France compétences recommended significant reductions (left part of the graph).

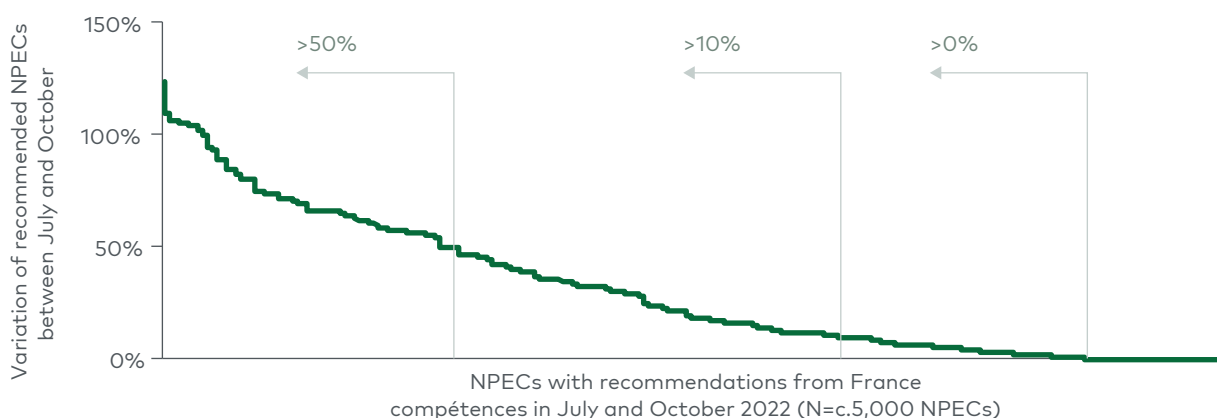
October 2022 recommendations

In October 2022, France compétences and the professional branches issued new recommendations on c.6,000 NPECs, of which c.5,000 (c.80%) were for NPECs that had already received recommendations in July.

Of those c.5,000 recommendations, **99% of the NPECs involved did not undergo any changes** between July and September 2022. We also note that **more than 90% of France compétences' recommendations in October have a higher value than in July**, less than 10% of the recommendations have not changed and no recommendation has a value lower than the level proposed in July. Of the remaining c.1000 NPEC recommendations proposed in October (with no recommendation in July), the majority were for an increase in value compared with actual September levels: 46% of recommendations for an increase in NPEC value, 26% for a reduction (see Figure 8).

Figure 8

Variation of recommended NPECs by France compétences in October vs in July (2022)

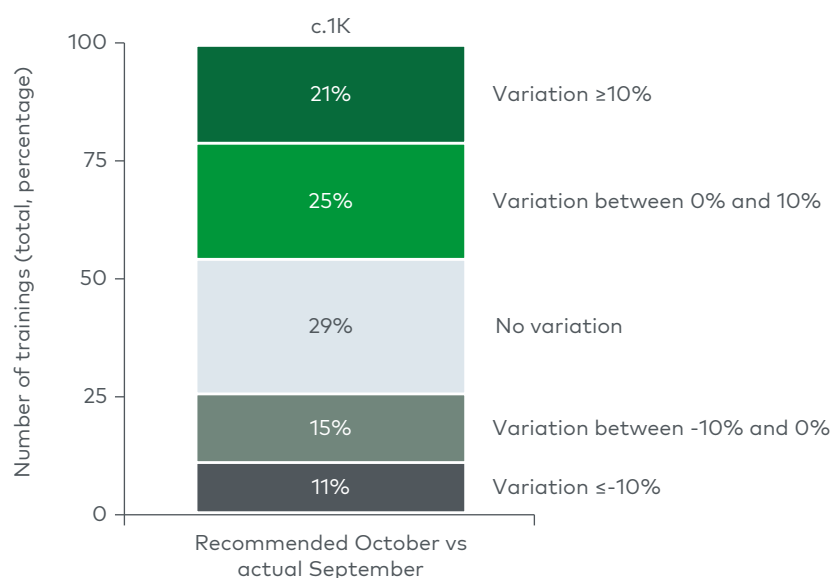


Note: NPEC=coverage per student

Source: France compétences, L.E.K. research and analysis

Figure 9

Comparison of NPECs recommended by France compétences in October, with no recommendation in July vs actual NPECs in September (2022)



Note: NPEC=coverage per student

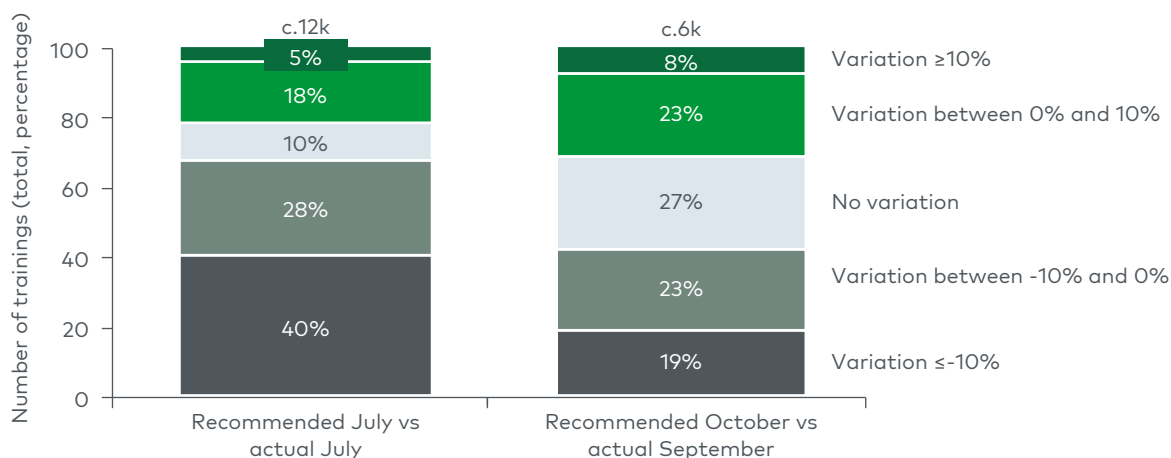
Source: France compétences, L.E.K. research and analysis

We also observe an **increase in the recommendations of France compétences** between July and September (see Figure 9 above).

It can be noted that 42% of France compétences' recommendations in October relate to a reduction in NPECs, down from 68% in July (on the contrary, recommendations of the professional branches were completely unchanged between July and October) (see Figure 10).

Figure 10

Comparison of the distribution of NPECs recommended by France compétences vs actual NPECs (July and October 2022)



Note: NPEC=coverage per student

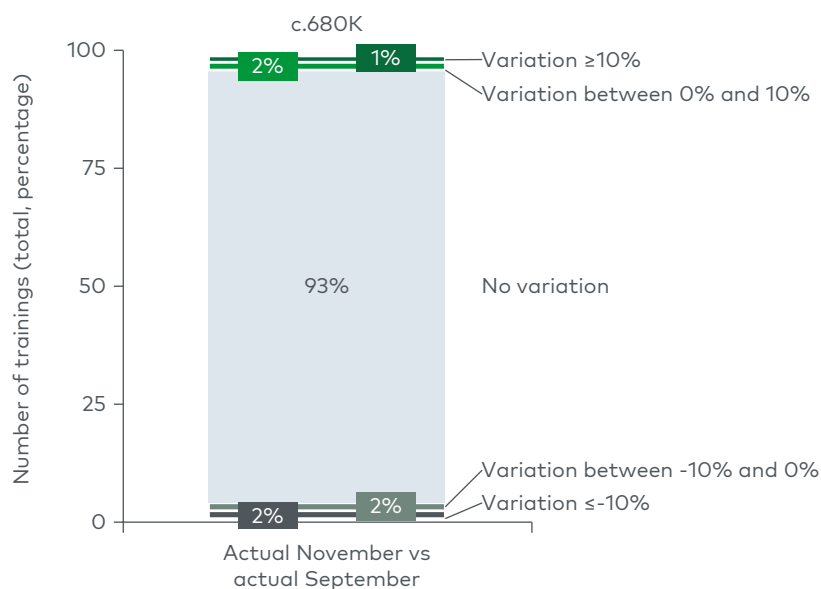
Source: France compétences, L.E.K. research and analysis

Review of latest developments — September-November 2022

The latest NPEC values were published in November 2022. Only 3% of NPECs have seen their value rise, and 4% saw reductions compared with September. The vast majority (93%) of NPECs are unchanged (see Figure 11).

Figure 11

Global evolution of actual apprenticeship NPECs (September to November 2022)



Note: NPEC=coverage per student

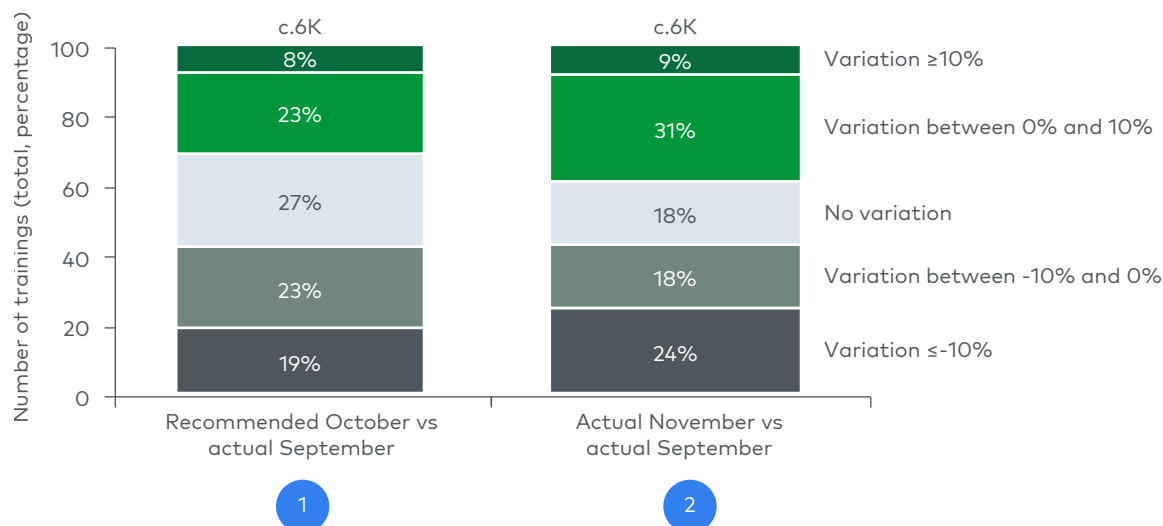
Source: France compétences, L.E.K. research and analysis

Between these two NPEC updates, France compétences issued recommendations on nearly 6,000 NPECs in October 2022. It recommended a decrease in value for 42% of them and an increase for 31% of them from their September levels (Graph 1 of Figure 12).

In the latest update (November 2022), 82% of these c.6,000 NPECs had their values effectively modified, with 40% seeing growth and 42% a reduction (Graph 2 of Figure 12).

Figure 12

Comparison of the NPECs recommended in October by France compétences (1) and their actual evolution in November (2) (2022)



Note: NPEC=coverage per student

Source: France compétences, L.E.K. research and analysis

Conclusion

The latest trend seems to confirm that despite France compétences' deficit and recommendations for NPEC reduction, the objective remains to support the apprenticeship system and to avoid any strong cost reduction in NPECs that could disrupt the system and threaten the government's objective of reaching 1 million students in 2027.

About the Authors

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Stéphane Claquin is a Partner at L.E.K. Consulting Paris and is a member of the Sustainability Centre of Excellence. Stéphane has been working for more than 15 years in the consulting field and has led many projects related to strategic planning, market review, and vendor and commercial due diligence for companies and private equity funds in the industrial, transportation and education sectors.

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