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Gi Group UK

**Gi Group UK's Head of Employability, Skills and Learning, Kate Maddison-Greenwell addresses concerns about the upcoming Apprenticeship Levy and believes that if fully embraced, it can be beneficial for all.**

# Gi Group UK EXPERT INSIGHT



## Embrace the Apprenticeship Levy – It Can Work for Everyone

Employers have the option to bemoan it or embrace it, but the Apprenticeship Levy is happening either way.

While there are undoubted and understandable reservations from some UK businesses, the forward thinking ones have now accepted it is the reality and are looking at how they can best capitalise on the opportunities it presents. Indeed, as its introduction on 6th April 2017 approaches, many businesses have asked me how they can make the Levy work for them.

First of all, it is important to understand why the Government has implemented the so-called 'payroll tax'. Business leaders have consistently reported in recent years that there is a major skills shortage facing the majority of sectors. The UK appears to be significantly behind Europe when it comes to investing in skills and education for young people.

The Government's pledge to create 3 million apprenticeships seeks to address this. However, in order to make this plan work, the Government needs to overcome the natural reluctance that is rife amongst those that qualify and will be required to

pay the Apprenticeship Levy. Clients and senior leaders that I have encountered across the country, have all voiced similar concerns:

**"Apprenticeships are notorious for being poor quality."**

Not to mention: 'only young people should be an Apprentice' or 'it's just money for old rope, isn't it?'

I appreciate it can be difficult to measure something as intangible as a need for training. Often, there isn't a need for training right now, but there will be if you have an ageing workforce, or your business is expected to diversify or expand in the future.

When the need is not immediate it is easy to put training off until it is too late. Several high profile employers have come unstuck for this reason. Owing to some unscrupulous training providers exploiting this, the negative perception of apprenticeships has increased.

Secondly, further education has always been a popular option and if you take into consideration the large amount of interest in the removal of student grants and the increase in education loans have garnered, it is easy to assume that a high price = high quality, and a low price = low quality.

Thirdly, there is an assumption made that if you are academically successful (I don't personally think 'intelligence' is the same thing at all!) then you go to university and start your career thereafter. There is a stigma attached to apprenticeships - that they are an option which only appeals to low achievers.

Significant work has gone into challenging and overcoming these assumptions, such as the launch of the Trailblazer Initiative. This is an employer led project that has set apprenticeship standards across multiple sectors and industries.

As a result of this Training Providers are no longer able to tell employers what 'good' looks like, as there is now an agreed criteria on what merits a quality apprenticeship. This enables

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## Embrace the Apprenticeship Levy and It Can Work for Everyone

employers not only to recognise the value of these apprenticeships, but also to take more ownership of their commitment to undertaking apprenticeships in their organisations. With the introduction of the Levy they are now also able to invest their money into this beneficial scheme.

Furthermore, as some apprenticeships are now degree level, they are not only silencing some doubters but also actually attracting those that would otherwise go to university were it not for the cost.

### 'It's too complicated.'

I have to be honest here. I agree – it does appear to be a complex topic. There is all sorts of jargon and unfamiliar terminology surrounding the subject of apprenticeships – such as Digital Apprenticeship System (DAS), standards, frameworks, NAS, SFA, Trailblazers and end-point assessment – to name just a few.

I won't attempt to explain everything but can assure you that help is out there. Your company can get the support it needs to help you get your payments set up and advise you on how to best maximise your Levy contribution. After all, if you don't use it, you lose it (after 24 months). With the Levy date looming, you will need to act now if you haven't already.

### 'Why should my company have to pay?'

In 2012, a survey of employers by the Department of Business Innovation and Skills (now Department for Business, Energy and Industrial Strategy (BEIS)), found that nearly 60% of employers would no longer train if asked to co-fund apprenticeship training. Notwithstanding this, numbers of employees receiving training outside the workplace have fallen steadily since the early 1990s from 140,000 to 20,000.<sup>1</sup>

The Government's productivity agenda and the commitment to tackle the national skills shortage by introducing 3 million more apprenticeships has been welcomed.

We want the skills, and we want the quality but whichever way we look at it the sums do not add up. This was pointed out by economist Alison Wolf (Baroness Wolf of Dulwich CBE).<sup>2</sup> Bringing in the Apprenticeship Levy is the only logical solution to our skills problem and to not being left behind by Europe.

A Levy will drive an increase in ownership of quality training by employers themselves. It will also boost training volumes and will contribute to reducing the problems that employers often have when it comes to training – a lack of understanding of the costs and benefits of training and losing a trained workforce to competitors.

## The Apprenticeship Levy in summary:

- Revenue from the Levy will help fund all post-16 apprenticeships in the UK
- No National Insurance contributions for Apprentices under the age of 25
- Funding will be directly controlled by employers via the apprenticeship vouchers which means they can tailor it to their own company's needs
- Businesses will be able to 'get back more than they put in' by showing their commitment to training and increasing their apprenticeship numbers
- Companies can use the Levy to boost the skills of their current workforce, using the fund to offer degree-level or higher professional apprenticeships to their existing employees.
- SMEs will have access to funds to recruit apprenticeships and tailor the programme to their requirements, thus helping to grow their own workforce and positively impacting the UK economy

The Apprenticeship Levy – when utilised correctly by employers – has many benefits to both the apprentice and employer as well as to the wider economy. The Levy will contribute to our future workforce, help boost skills, increase employee loyalty and retention, and create training opportunities for young people as an alternative to traditional further education routes.

For full detail on the implications of the Apprenticeship Levy – see the Gi Group UK Apprenticeship Levy factsheet.



<sup>1</sup> BIS Research Paper Number 77 – Evaluation of Apprenticeships: Employers, by Department for Business Innovation & Skills (BIS), May 2012 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32305/12-813-evaluation-of-apprenticeships-employers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32305/12-813-evaluation-of-apprenticeships-employers.pdf)

<sup>2</sup> Fixing a Broken Training System: The Case for an Apprenticeship Levy by Social Market Foundation (SMF), July 2015. <http://www.smf.co.uk/wp-content/uploads/2015/07/Social-Market-Foundation-Publication-Alison-Wolf-Fixing-A-Broken-Training-System-The-Case-For-An-Apprenticeship-Levy.pdf>