



Changing the world
of work for good

Apprenticeship Levy

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What is the Apprenticeship Levy?

- **In 2015 the government announced**
 1. a target to create 3 million apprenticeships by 2020
 2. plans to introduce an Apprenticeship Levy in April 2017
- **Basic principles of the Apprenticeship Levy**
 - applies to large UK employers with an annual wage bill above £3 million
 - those employers pay 0.5% levy on the portion of annual wage bill in excess of £3 million
 - all payments made can be recouped **but** only to pay for apprenticeship training and assessment (not wages or other costs)
 - only 2% of employers pay the levy but 60% of the workforce are employed by these large employers

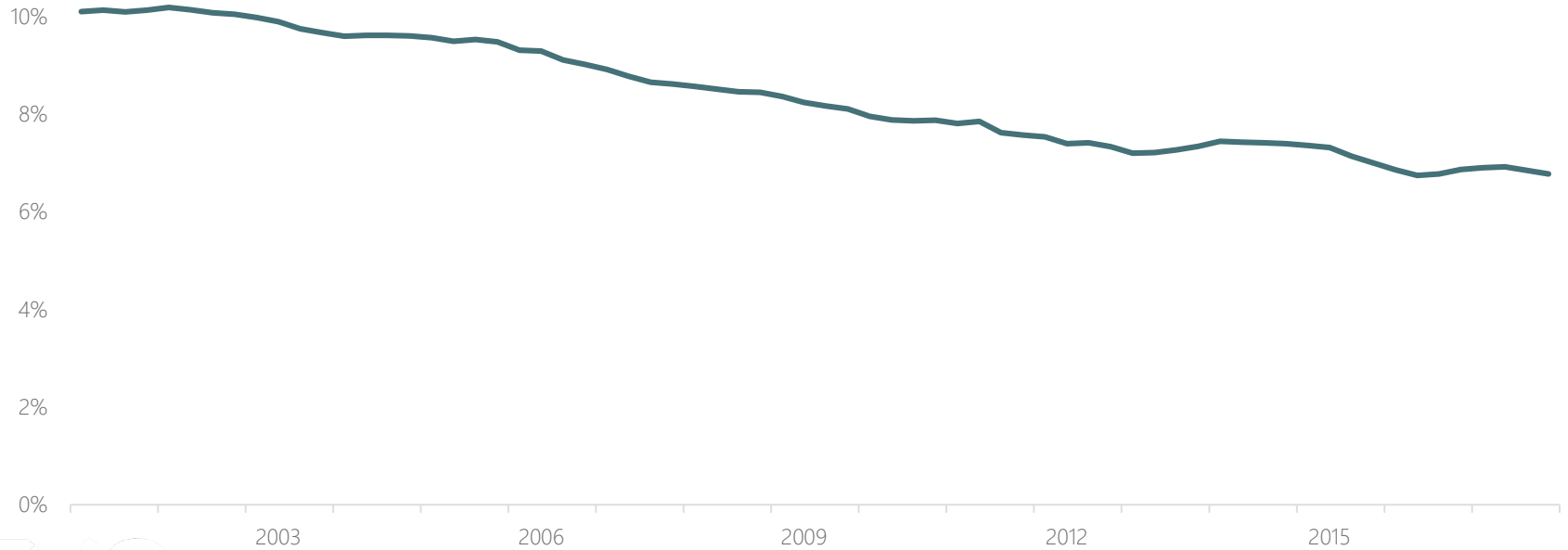
Why introduce the levy?

Some reasons given by government and other stakeholders

- UK productivity record in recent years is very poor and holding back the economy, especially wage growth
- Investment in training by UK employers has been declining
- Some other European countries have a much higher proportion of apprentices than the UK and these countries tend to have:
 - lower rates of youth unemployment
 - a more highly skilled workforce
- Brexit will ultimately reduce the number of skilled workers from Europe
- The levy will boost funding for apprenticeships and should encourage more apprentices to be recruited

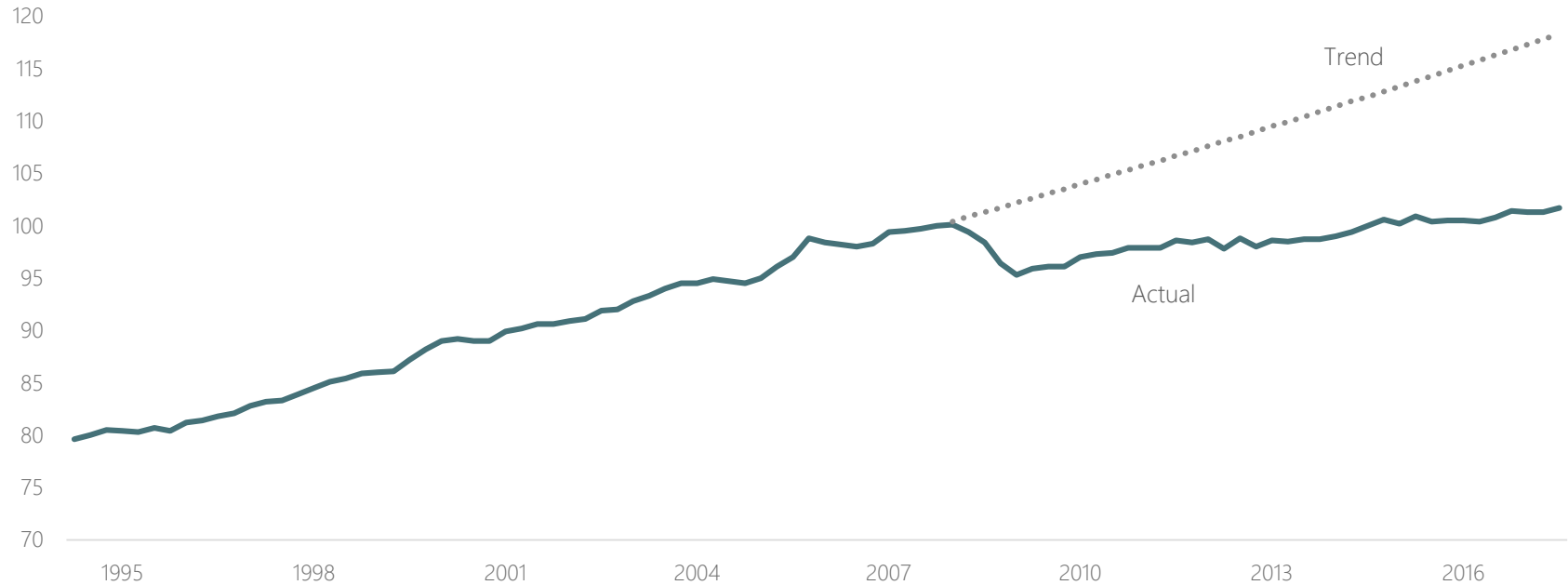
Workplace training on the slide

Percentage of employees receiving training in the last month (UK, 2000-2017)



UK productivity has stalled

Output per worker (UK, 1995-2017) [2007=100]

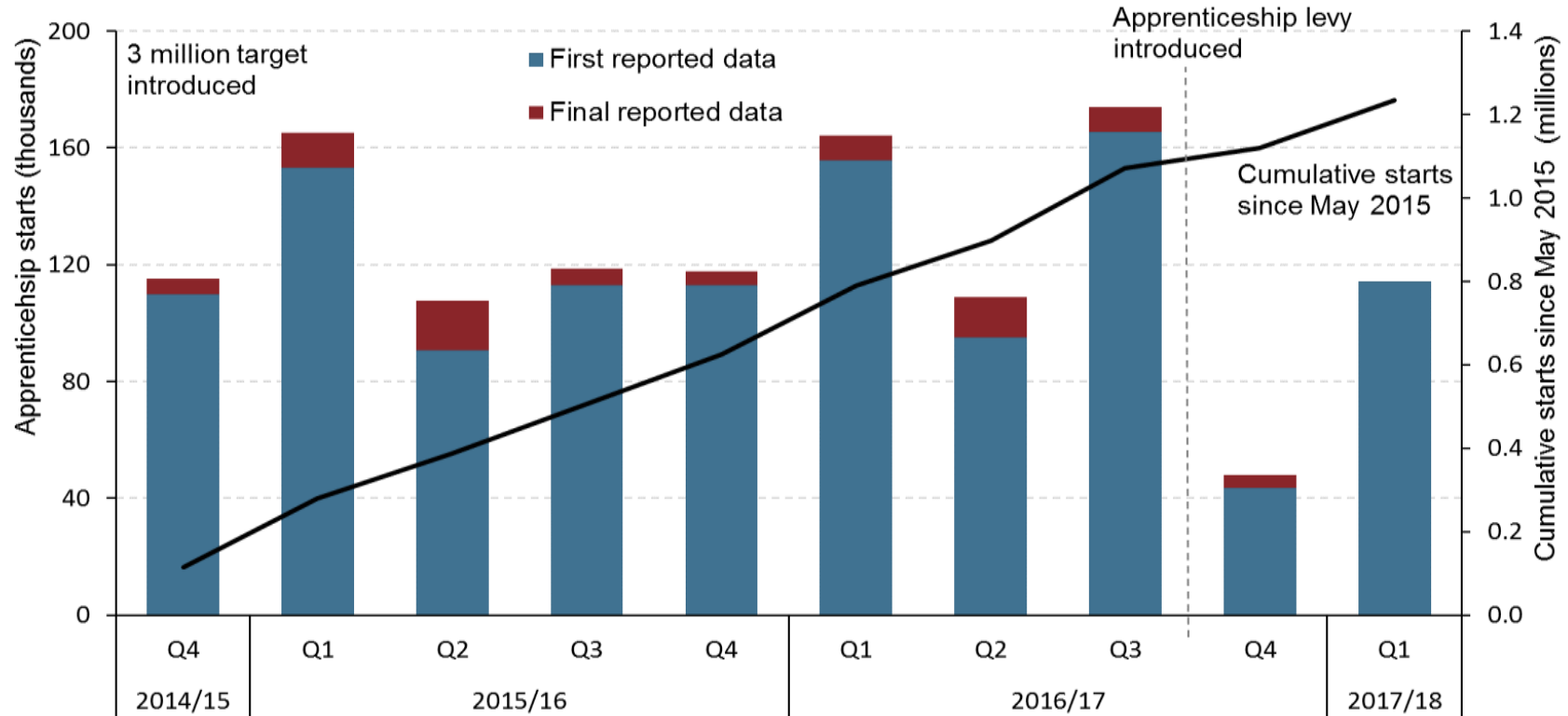


Spending on apprenticeship training?



- Proceeds from the levy will boost spending on apprenticeships and switch responsibility for funding them from government to employers
- Estimated that spending in England will increase from £1.8B in 2016-17 to £2.5B in 2019-20 (+28%)
- Devolved nations receive a portion of the funding raised from the levy calculated on the basis of the employer contributions made for employees from these nations
- However, devolved nations continue to use their own apprenticeship systems (i.e. **most of the rest of this presentation only applies to England**)

Apprenticeship numbers fall after levy is introduced



Apprenticeship numbers fall after levy is introduced

Some key findings:

Levy introduced in April 2017 but employers began to pay from May 2017

- Significant decline following introduction of levy
 - Apprenticeship starts in May-July 2017 quarter were down by 59% compared with the number of apprenticeship starts in the same period 12 months earlier
- Rate of decline slows in next quarter but still major reduction
 - Apprenticeship starts in August-October 2017 quarter were down by 26% compared with the number of apprenticeship starts in the same period 12 months earlier
- A lot of employers took forward extra apprenticeship recruitment before the levy was introduced
 - In the February-April 2017 quarter apprenticeship starts were up 47% compared with the same period 12 months earlier

The system for levy-paying employers

- Levy is 0.5% of annual wage bill above £3 million and this is paid to government (HMRC) on a monthly basis via the PAYE system
- **Example:** an employer with total annual wage bill of £10 million has to pay £35,000 to HMRC each year (based on 0.5% of £7 million)
- All levy paying employers need to have an account on the new Digital Apprenticeship Service to recoup their levy payments
- The monthly payments transferred to their digital account are calculated on the basis of the levy payments they made in the previous month + government provides a 10% top-up
- Employers use their digital account to pay colleges and training providers for the training and assessment of apprentices. The college or provider must be on government register of approved training bodies

The system for levy-paying employers

- The level of funding for apprenticeship training and assessment is capped depending on the type and level of apprenticeships being trained – apprenticeship funding bands are set by the government
- Levy funds must be spent within 2 years – or they expire (i.e. they cannot accumulate in the employer's digital account for ever)
- If there is not enough money in their digital account to pay for all their apprentices, employers then qualify for the subsidy system available to non-levy paying employers (see next slide)
- From April 2018, employers can transfer 10% of their digital levy funds (e.g. to an employer in their supply chain)

Employers who don't pay the levy?

- These employers have to make a contribution of 10% of the training/assessment costs and government pays the remaining 90%
- The employer's 10% contribution is made direct to the training provider
- The level of funding for apprenticeship training and assessment is capped depending on the type and level of apprenticeships being trained (i.e. the same funding bands as apply to levy-paying employers)

Additional support for certain groups

16-18 year olds

Government will pay **£1,000 to employers**, and a further **£1,000 to training providers** if they train a 16-18 year old apprentice

Disadvantaged young people

Government will pay **£1,000 to employers**, and a further **£1,000 to training providers** if they train 19-24 year olds leaving care or who have a Local Authority Education, Health and Care Plan

Small Employers

Employers with fewer than 50 employees will have 100% of the training and assessment costs covered when training a 16-18 year old (or 19-24 year old formerly in care or has a Local Authority Education, Health and Care plan

English and Maths training

To meet minimum standards of English and maths we will **pay training providers £471** for each of these qualifications (Level 1 and 2)

Additional learning support

We will pay training providers **up to £150 a month** to support these learners, plus additional costs based on evidenced need

Some minimum government standards

An apprenticeship must:

- be for a new job role or an existing job role where the individual needs significant new knowledge and skills
- be linked to an apprenticeship framework or one of the new apprenticeship standards (now signed off by the **Institute for Apprenticeships**)
- include at least 20% of time on off-the-job vocational training
- ...and apprentices must be given additional time to achieve minimum English and maths qualifications
- be an employee from day one and paid the relevant statutory minimum wage
- be a minimum duration of one year (and longer on pro-rata basis if the apprenticeship is being undertaken on a part-time basis)

TUC Charter for Apprenticeships

We agree that an apprenticeship should:

- Be a job with a productive purpose
- Be paid a fair rate
- Ensure high quality training and clear individual development
- Involve the trade union at every level of the programme
- Ensure apprentices have regular access to, and support from, trade unions
- Be accessible to, and achievable by all
- Be part of, and contribute to, a healthy and safe environment
- A commitment from the employer to complement the workforce, not supplement it.

How trade unions can deliver on key priorities.....

Negotiating and supporting high quality apprentices

- Decent pay and conditions
- High quality training
- Access to a trade union
- Equality and diversity
- Health and safety
- No job substitution
- A sustainable high quality job!

Boosting union capacity on apprenticeships.....

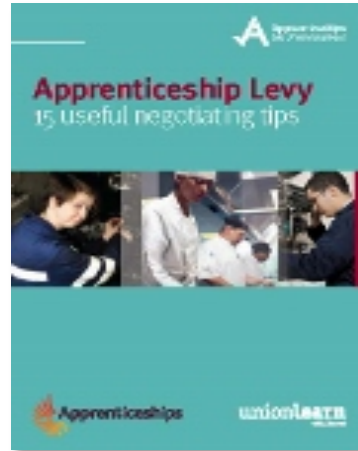
- Collective bargaining
- Learning agreements
- Role of union learning reps
- Coordinated workplace approach on apprenticeships involving all union reps
- Mentoring / 1-1 support
- Case studies highlighting union successes

Unionlearn resources – for union reps

Online resource – TUC Education eNote



Unionlearn downloads



Unionlearn resources – for apprentices

More information at www.unionlearn.org.uk

Online resource – TUC Education eNote



Foldaway Leaflet



Apprenticeships – TUC campaigning priorities

- Still too many poor quality apprenticeships
 - latest government survey shows that 30% of apprentices are unaware that they are on an apprenticeship and 1 in 7 not getting formal training
- Evidence of exploitation, especially on pay
 - latest government survey shows that nearly a fifth (18%) of all apprentices are not being paid statutory minimum wage
- With some exceptions, progress in tackling equality and diversity challenges too slow
 - too few women, BAME groups and disabled getting access to the best apprenticeships
- Unlike most other European countries, unions are not represented on some of the key apprenticeship bodies
 - e.g. there is no union representation on the Board of the Institute for Apprenticeships

Next webinar

Organising at work Building strong workplace unions

2:30pm, Wednesday, February 14th

Save your seat at
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