



Arbenigwyr mewn Busnes  
Experts in Business

4<sup>th</sup> April 2018  
Russell George AM  
Chair  
Economy, Infrastructure and Skills Committee  
National Assembly for Wales  
CF99 1NA

Dear Russell

### **RE: Apprenticeship Levy Inquiry**

FSB Wales welcomes the opportunity to contribute to the Economy, Infrastructure and Skills Committee's review of the impact of the apprenticeship levy in Wales.

FSB Wales is the authoritative voice of businesses in Wales, with around 10,000 members. It campaigns for a better social, political and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

We previously gave evidence to the committee on this issue in order to inform its inquiry. Whilst we welcome the committee's consideration of this issue and the subsequent report, we are concerned that the level of interest in levy paying firms has distorted the debate around apprenticeships in Wales. Indeed, the committee's original report made little if any reference to non-levy paying firms and did not provide a thorough examination of the impact of the apprenticeship levy on the overall apprenticeship system.

We hope this review now provides an opportunity to explore these issues in more depth, particularly as the response to the apprenticeship levy becomes clear. In that respect, we would welcome further investigation by the committee of the following issues:

#### **Impact of apprenticeship levy on reforms in Wales**

By creating a demand-led system for the very largest employers the apprenticeship levy has significantly changed expectations amongst larger firms and the public sector. This has led to a scramble for apprenticeship frameworks amongst larger firms and the public sector that were previously not interested in the apprenticeship option.

This approach brings two dangers. Firstly, that training that would otherwise have been undertaken by larger employers gets reclassified as an apprenticeship for financial reasons. Secondly, that Welsh Government becomes preoccupied with fulfilling the needs of a vocal minority by allocating a greater proportion of apprenticeship funding to them at the expense of SMEs who were previously engaged in the system.

It is our understanding that before the advent of the apprenticeship levy around three quarters of apprentices were amongst SMEs (we would welcome clarification on the exact numbers by the committee). The apprenticeship levy will put serious strain on these firms as both the public sector and larger employers begin to use the apprenticeship



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brand, and resources will inevitably be reduced for SMEs. Indeed, in England there has been a significant reduction in apprentice numbers following the levy and the changes in funding to SMEs.<sup>1</sup>

Our concern is that rushed policy changes responding to the apprenticeship levy could potentially undermine the apprenticeship brand not only among employers but among apprentices themselves. This is particularly important as we seek to achieve parity of esteem between vocational and academic qualifications.

## Learning Content

While the apprenticeship levy was designed to create a demand-led system in terms of apprenticeship numbers, it has also presented significant challenges around qualification content. As the committee will be aware, in England the UK Government has pursued new apprenticeship ‘standards’ and has moved away from frameworks as is the case in Scotland and Wales. In principle, these standards are employer-led in that the content is designed by employers. However, in practice our members’ experience in England has shown that large employers have been the driving force in this process often at the expense of SMEs and this has been reflected in the examination of standards by the UK Parliament’s Education Select Committee.<sup>2</sup>

This is for several reasons. Firstly, the standards system places the onus on employers to design content. In practice, SMEs don’t have the time or expertise to design and quality assure apprenticeship specifications. Furthermore, the employer-led approach lends itself to scale which inevitably leads towards ‘industry leaders’ taking the agenda forward without reference to the majority of businesses in their sector. Additionally, questions have been raised around the portability of standards within a sector and there appear to be significant risks that company specific standards could be created removing the portability of the employee to SMEs in the sector.

As a result of this, the Welsh Government has come under increasing pressure from some large employers to adopt the English system of standards in Wales, in order to make it easier for them to deal with a single set of qualifications across the England and Wales border. However, such an approach would risk removing frameworks for SMEs that have been flexible in the past to broader sectoral needs and wouldn’t reflect the fact that most apprenticeships take place with SMEs for whom the border is unlikely to be an issue.

Instead, we propose that the existing frameworks in Wales be reviewed through broad employer input with a body such as Qualifications Wales acting as the coordinator of the work. In the past this was done by Sector Skills Councils and the Sector Qualification Advisory Panels (SQAPs). Furthermore, this process should ensure the relevancy of the National Occupational Standards as the basis upon which apprenticeships are recognised across the UK. We see the recently appointed Welsh Apprenticeships Advisory Board (WAAB) as a means of engaging in this work.

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<sup>1</sup> <https://www.personneltoday.com/hr/apprenticeships-statistics-2017-plummet-following-levy/>

<sup>2</sup> FSB. 2016. *Make or Break: Getting apprenticeship reform right for small businesses* [Online]. Available at: <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-apprenticeships-report-final.pdf?sfvrsn=1> (accessed 21<sup>st</sup> March 2018).

UK Parliament. Education Committee. *Sixth Report: Apprenticeships and traineeships for 16 to 19 year olds 2014* [Online]. Available at: <https://publications.parliament.uk/pa/cm201415/cmselect/cmeduc/597/59708.htm#a22> (accessed 23<sup>rd</sup> March 2018).



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I hope this perspective is of interest to the committee as it reviews the impact of the apprenticeship levy in Wales.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Francis', is placed over a light grey grid background.

**Ben Francis**  
**Wales Policy Chair**  
**Federation of Small Businesses Wales**