

Apprenticeship Levy Inquiry: 12-month review

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Point 1: The impact on employers in Wales following the introduction of the Levy

- 1.1 There is a far greater interest in exploring the use of apprenticeships, amongst levy paying employers. There is a correlation between the amount of levy paid and interest in using apprenticeships to support training and development.
- 1.2 Employers have a strong desire to ensure the apprenticeship system delivers full or partial return on investment. To calculate return on investment employers are increasingly interested in understanding the value of funding associated with each framework and are requiring an illustration of ROI to support the decision making process. The decision to use apprenticeships has extended beyond the HR arena and is now increasingly being scrutinised by senior Finance decision makers.
- 1.3 Employers are placing a greater demand on the design and delivery of apprenticeships and seeking added value support as part of the apprenticeship offer. Through the levy they view themselves as the 'funder' of apprenticeships and a key stakeholder in design as well as delivery.
- 1.4 Employers are now placing greater demands for degree apprenticeships to be made available in Wales and freedom to pursue and offer routes considered to be a low priority for Welsh Government.
- 1.5 Anecdotal evidence suggests that non-levy paying employers and those at the smaller end of the SME scale are concerned about the management of their talent pool and current apprentices being attracted to an increasing number of opportunities with larger companies.

Point 2: Any concerns to date in respect the impact or implementation of the Levy

- 2.1 There is a significant amount of confusion with large employers who have operations spread across the UK, this is particularly felt between Wales and England where the apprenticeship systems are now evolving very differently to one another. The concept of an apprenticeship standard in England which has been designed by employers is perceived to better meet employer need. This is causing pressure for Standards to be available in Wales. Confusion has only increased since the introduction of the levy. It is estimated that two thirds of the anchors and RICs in SE Wales also have a profound presence in England. The interoperability of an apprenticeship skills offer between Wales and England is a fundamental requirement to many employers, further evidence with employers pushing for national levy partners which is then delivered through a prime and subcontract model.

- 2.2 The confusion between employers operating in England and Wales has led to at least one example where a national and significant employer has decided to not offer apprenticeships in Wales because they prefer the English system. This resulted in 19 apprentices in a key priority sector being withdrawn, as the employer was not able to offer their 'industry standard' apprenticeship.
- 2.3 There needs to be engagement with employers with regards to the response to degree apprenticeships in Wales. The requirement for parity with the offer in England is evidenced through discussions with employers, where there are reasons for not pursuing parity these need to be clearly explained and understood. Large employers see a transferable apprenticeship solution between England Wales as highly desirable.
- 2.4 There is concern over the currency of qualifications and future development of new qualifications to meet the needs of employers in Wales. Reassurance is needed to ensure there is long-term sustainability for the Welsh Apprenticeship system. Market forces will result in qualifications expiring and a lack of substitute to support delivery in Wales.
- 2.5 There is a general lack of understanding of Welsh Government priority areas and a lack of acceptance of the implication of this approach. Sectors such as Retail, Public Sector and Contact Centre are frustrated with the ability of providers to support their demands in the areas of Business Administration and Customer Service. The concept of a 10% cap in these areas conflicts with the demand from a large number of levy paying employers who fall into this space.
- 2.6 Employers are also confused with the different funding rates which apply in England and Wales, this causes particular problems where the maximum band in England is much higher than in Wales. In these situations, employers feel they are able to achieve better value for money and also bolt on other training programmes as part of the apprenticeship which would need to be paid for on a commercial basis in Wales.
- 2.7 The focus of using apprenticeships to support a wide range of upskilling to both new and existing members of staff is a key focus for business, this is impacting on other funded skills initiatives which are on the market to support employers with training. Employers ask whether the levy they pay can be used as a source of co-investment, there is reluctance to invest in further cash in other training schemes until their levy has been fully utilised.
- 2.8 The talk of a general skills levy in England is already causing some angst in Wales as to whether this will be only available in England should it be pursued. There is also concern in the training market and the potential impact of this proposal to training providers in Wales and how employers with cross border provision could use this system to deliver training to Welsh staff for free.

Point 3: Recommendations for the Welsh Government or others in this regards.

- 3.1 An innovative solution is needed to support employers with an interest in delivering low priority qualifications. There are solutions on the market to offer part-funded delivery of qualifications such as Business Administration and Customer Service and whether the 'levy' or a central fund could be used to provide co-investment to these programmes should be considered. Through programmes such as Upskilling@Work, Skills for Industry and

Skills for Employers and Employees there is an option to support this on a pilot basis until these projects complete. This could be 2020 or up to 2022/23 depending on extension discussions.

- 3.2 Communication needs to improve to provide employers with central access to information and improve understanding on the apprenticeship system in Wales, how it works, who it is aimed at and what is involved with delivery.
- 3.3 Linked to point 3.2, clarification on the future and scope of degree apprenticeships is also required.
- 3.4 There is a window of opportunity to further promote apprenticeships as a career opportunity which is on a level playing field with University and A-level study. With levy paying employers having an increasing appetite to engage with apprenticeships there is a golden opportunity to promote this option to schools, young people and parents.
- 3.5 Reassurance and support across the non-levy and levy paying SME community should be extended to ensure the demand for apprenticeships amongst this group is supported and continues to grow.
- 3.6 Not directly related to the levy, but the problems with apprenticeship matching service are further highlighted and limiting the promotion and access to apprenticeships by young people.