



Government targets on apprenticeships are set to be missed amidst criticism of business levy funded places

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It has been claimed by the body which oversees apprenticeship standards in the UK that the government is unlikely to meet the targets that it set out in 2015 for workplace training. The head of the Institute for Apprentices (IfA), Gerry Berragan, has claimed that the goal to create 3 million workplace training places between 2017 and 2020 was 'unrealistic'.

Sir Gerry told the *Financial Times* that 'to be honest, I think [the government] still aspire to do [the target. ...] But I think the recognition by government is that what's more important is getting the quality right'.

The claim this month echoes those who have previously doubted the feasibility of achieving the target of placing 3 million people in workplace training schemes. The director of policy at the Institute of Directors, Edwin Morgan, made the same claim in July 2018, stating; 'From the beginning,

businesses have raised valid concerns around the complexity and rigidity of the system. Improving skills is a leading concern for our members. It's now time for government to rethink the approach and work with businesses to turn the levy from a drag on apprenticeships into a system that delivers the right skills in the right places'.

Declining numbers

The 3 million target was announced by the then chancellor George Osborne in 2015

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and was intended to be achieved through funds raised by a business levy, which was introduced in April 2017.

The levy requires any company or public-sector organisation whose salary bill exceeds £3m each year to set aside the equivalent of 0.5% of their payroll for an approved list of apprenticeship courses. Companies then claim vouchers from the government to spend on such courses, but lose the money if it is not expended within two years.

The levy was expected to increase the number of places created but instead it has been blamed for a decline in numbers of apprentice places. In the first three terms of the 2017–18 academic year, the number of people starting an apprenticeship fell to 290,500, a 34% reduction on the 440,300 people who began a placement during the same nine-month period in the previous year. It is also nearly 25% down on the 384,500 apprenticeships started in the equivalent period in 2015–16.

The reasons for the lack of progress have been laid at the feet of the levy and the fact that it's involved an end to public funding for much workplace training. The levy has long been controversial and employer groups have complained that the current process of funding for apprentice places is 'bureaucratic and inflexible'.

Take for example, The Chartered Management Institute, who in December, complained that the IfA had cut the sum that could be spent by companies on a degree-level management apprenticeship by £5,000, down to £22,000.

Accessible places

The CMI states that this means that the available sums are now less than what many business schools charge for courses in this area, in turn affecting the accessibility of the places, particularly for those from a low-income background.

The IfA has acknowledged this and Sir Gerry has stated; 'There's no question, if you want to take a masters [degree] or MBA, you can pay anything up to £60,000 if you go to one of these very fancy business schools'. He has however insisted that 'the cap reflected a fair market value for the courses based on an analysis of all potential programme providers'.

Sir Gerry did, however, brush off suggestions that the IfA was trying to discourage the use of the levy for leadership training, although their use is intended to benefit society overall, rather than the individual. He insisted that 'I don't have a

problem with using levy money in this way so long as these apprenticeships are focused on upskilling people from one level to another [...] What's really important is that it's absolutely focused on where the skills gaps lie'.

The criticism of this government's apprenticeship plans is not new and the target has been expected to not be reached for some time. The current chancellor, Philip Hammond, fought back against the criticism in 2018 by arguing for large companies to hand up to 25% of their levy funds to businesses within their supply chains, stating that this would further improve workplace training.

The apprenticeships and skills minister, Anne Milton, admitted there was a decrease in the overall number of people starting apprenticeships but insisted that there had been a 1,000% increase in the number of 'higher-quality' apprenticeships.

She commented that; 'There are also tens of thousands more people starting on higher-level apprenticeships, which are available in a range of cutting-edge industries, and more people achieving their apprenticeships'.

However, opposition MPs and business

than the quantity of places being filled is compelling. However, the fact that it seems clear to all, a year before the target date, that it will be missed is clearly a sign that there are fundamental issues with the policy.

Research published this month by City & Guilds Group only strengthens this assertion, with a shocking 92% of their levy-paying employers stating that they want to see greater flexibility in how they can spend their apprenticeship allowance.

Although this may seem bleak, the positive to be taken away is in the fact that employers want to use the levy to achieve the best possible outcomes. It's the rigidity of the system that appears flawed: 55% say they'd like to continue to spend on apprenticeships, while 45% would like to be able to use money to invest in non-apprenticeship training – including professional courses and technical skills training (36%), health, safety and compliance training (33%), work placements and internships (32%), and leadership and management training (31%).

The Managing Director of City & Guilds Group, Kirstie Donnelly MBE, has claimed that: 'It's never been more urgent to improve

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bodies have argued that this isn't good enough with the shadow minister for higher and further education, Gordon Marsden, accusing the government of 'ignoring the widespread concerns about apprenticeships'.

Marsden added; 'Labour, businesses, and providers have called for an urgent reassessment of the process but ministers have buried their heads in the sand. Their refusal to review the levy is now causing major damage to the apprenticeship brand'.

Possible outcomes

What seems clear is that the levy hasn't had the desired effect on increasing apprenticeship numbers. The levy is overly burdensome, particularly on small and medium-sized firms and its implementation appears to have been rushed. Many only had a few months to put in place the scheme once ministers agreed on the finer details.

The argument that the quality of apprenticeships should be more important

the skills of our workforce and invest in home-growing the skills that we may no longer be able to import from abroad. Apprenticeships have a huge potential to deliver on this, but the system is still not responsive enough to the needs of employers. Businesses need more flexibility to use the apprenticeship levy in a way that will truly help them fill skills gaps, upskill their workforce and shore up their talent pipeline for the future'.

A flexible approach to the levy seems a sure fire way of increasing business engagement and in turn both the quality and quantity of apprenticeships. Apprenticeships are a fantastic tool for enabling people to enter industry as well as upskilling existing employees.

Filling skills gaps may become an even greater concern post-Brexit, tweaking existing policy to benefit levy-paying employers can only help in achieving the target. [n](#)