

APPRENTICES AND THE APPRENTICESHIP LEVY: PRACTICAL IMPLICATIONS FOR MEMBERS

London may be leading the economic recovery but the youth unemployment rate in the capital is the third highest in England, with nearly one in five 16-24 year olds unemployed.

To help tackle this issue, the National Apprenticeship Service and the City of London Corporation have joined forces to help City businesses, schools, charities, third sector organisations and livery companies to collectively assist young Londoners into employment. A new set of guiding principles has been produced and City firms are being encouraged to target support where it is needed most.

The Government has introduced the apprenticeship levy in response to the national workforce skills shortage, the fact that only 15% of businesses in the UK offer apprenticeship opportunities (with 8% in the capital in 2014) and the fact that the UK is 20% behind the rest of the G7 countries in terms of productivity. The Government aims to encourage businesses to take on 3 million apprentices by 2020. They would like apprenticeships to be viewed as a truly viable alternative to going to university for candidates and ensure that businesses are able to engage a very different talent pipeline.

Key objectives of the levy are to provide sustainable funding for future apprentices and to continue raising the quality of candidates to ensure that businesses see the value of engaging in this talent source with a positive outcome for growing the economy.

The levy will operate as follows; 0.5% of paybill on a business paybill of over £3million per annum, paid through PAYE offering an allowance of £15K. Employers in England who will pay the levy (which account for the top 2% of businesses) are committed to apprenticeship training and will be able to get out more than they pay into the levy through a top-up of 10% added to their Digital Apprenticeship Service account. Employers can use this account to pay for training for apprenticeships. Other services will include support in finding candidates, a training provider and an appropriate apprenticeship training programme.

At a recent roundtable hosted by the Government's City representative, Alderman Dr. Andrew Parmley, as well as advising financial institutions and professional service firms about the proposed levy and mechanics of the scheme, it was clear that there is still scope for questions and feedback.

Government representatives, including Nadhim Zahawi, the Prime Minister's Advisor on Apprenticeships, listened to a number of issues raised from attending firms. These included how to accommodate existing successful schemes being deployed by large organisations; whether there would be the ability to transfer apprentice funds from one organisation to another in the supply chain (not yet resolved); and the application of a cap on the individual amount funded per apprentice.



Eric Linin, Lloyd's of London, with some apprentices (2015)

One successful scheme is that of Lloyd's of London who were featured in the Member Services 2016 newsletter and appeared at the November 2015 Conference, see photo above.

The Department for BIS has stated that it intends to publish a comprehensive guide for businesses. Once the levy is applied they will be setting up the Institute of Apprenticeships in 2017 with the aim of advising organisations, receiving input from employers and quality controlling the apprenticeship services and schemes.

What is apparent is that the Government is determined that businesses are able to take control of their training and provision for apprentices which was always a challenge in the past. To this end, there will be an established register of training providers set up for firms to use.

Change starts at grass roots level and the aim is to encourage schools to measure their outcomes not just on the number of candidates that go to university but also on the numbers channelled towards apprenticeships. Change will also have to be focused on trying to challenge the perceptions of financial services firms of apprenticeships to ensure that businesses do not just view the launch of the levy as an additional tax but see it as a positive step to engage a wider talent pipeline for the future.

City HR will continue to keep members informed on developments in this area. In the meantime, guidance is available through the Government website: www.gov.uk/governmentpublications/apprenticeship-levy-how-it-will-work or via the City HR office.