

Council for Economic Renewal Apprenticeship Levy Paper

Apprenticeships Skills Policy Plan

1. **Welsh Government's proposed policy is aimed at aligning apprenticeships to the needs of the Welsh economy** so that the skills system is responsive to industry changes that enables Wales to compete globally through having workers equipped with high level technical and professional skills. The Welsh Government's strategy is to invest in training which will provide economic and social returns; investing in growth sectors and occupations to address skill shortages and gaps that hold back productivity and growth. We are already working with employers to expand and strengthen routes in STEM, the digital industries, information technology, construction and financial services.
2. The approach outlined in this policy is consistent with step 4 of the CBI Wales Plan for Prosperity (2016), the Institute of Directors 10 point plan for the Welsh Economy (2016), the CITB Cymru document Building Skills for the Future (2016) and the ICAEW's document Partnership for Growth (2016). It is also consistent with the recommendations and warnings contained within the National Audit Office in England's report on apprenticeships and the levy (2016) and the UK Public Accounts Committee report on the same issue in 2016
3. The Welsh Government Apprenticeships Skills Policy responds to these challenges; not only is the Welsh Government is committed to deliver a **minimum of 100,000 quality all age** apprenticeships over the current Assembly term, we intend to prioritise our investment in:
 - **Addressing skill shortages** through developing apprenticeships in growth sectors and emerging occupations in line with priorities determined by Regional Skills Partnerships.
 - **Developing higher level skills** - focusing on apprenticeships at level 3 and above particularly in science, technology, engineering and professional routes, where returns tend to be higher.
 - **Increasing the take-up of apprenticeships amongst 16-19 year olds**, reflecting Welsh Government commitment to supporting younger apprentices
 - Delivering a larger number of apprenticeships through the **medium of Welsh and/or bilingually**.
4. To deliver these priorities we will **maintain our current investment in apprenticeships at £96m**. Apprenticeships are required across a broad range of sectors. They are becoming increasingly more relevant to the public sector in maintaining and improving public services such as: education, fire services, waste management, social services and healthcare. We will work with public sector organisations to create a range of public service workforce apprenticeships which will help with modernisation, efficiencies and improvements required across the sector.

5. **The £96m includes European Funding of £16m** which has been secured to support additional apprenticeship investment in Wales.
6. **Policy approaches to apprenticeships is changing across the UK as a consequence of devolution, differing priorities and the Apprenticeship Levy.** The approach Wales has taken is to ensure apprenticeships drive increases productivity and related social benefits; and our investment is in apprenticeships maximises growth. **Annex A** sets out the different approaches across the UK.

Why are we changing our pattern of investment?

7. UK productivity lags significantly behind that of our main international competitors and Wales is at the bottom of the UK regional productivity league table. The Office of National Statistics estimates that Germany, France and the USA are each about a third more productive than the UK. The productivity gap is partially explained by the UK's lower emphasis on technical and higher level vocational education that combines on and off the job training. Projections indicate that over the next decade, there will be around 5 million new and replacement job openings for high skilled jobs (including management and professional roles) and 3.6 million openings for medium-skilled jobs (including skilled trades and associate professional/technical roles)¹.
8. Currently the majority of apprentice starters are at entry level following Foundation Apprenticeships at level 2 (43 per cent); 35 per cent on Apprenticeships (level 3); and 22 per cent on Higher Apprenticeships (levels 4 and above)². Of these apprentices the majority are in sectors and occupations that at in non-priority sectors/occupations, for example, in business administration, retail and customer service.

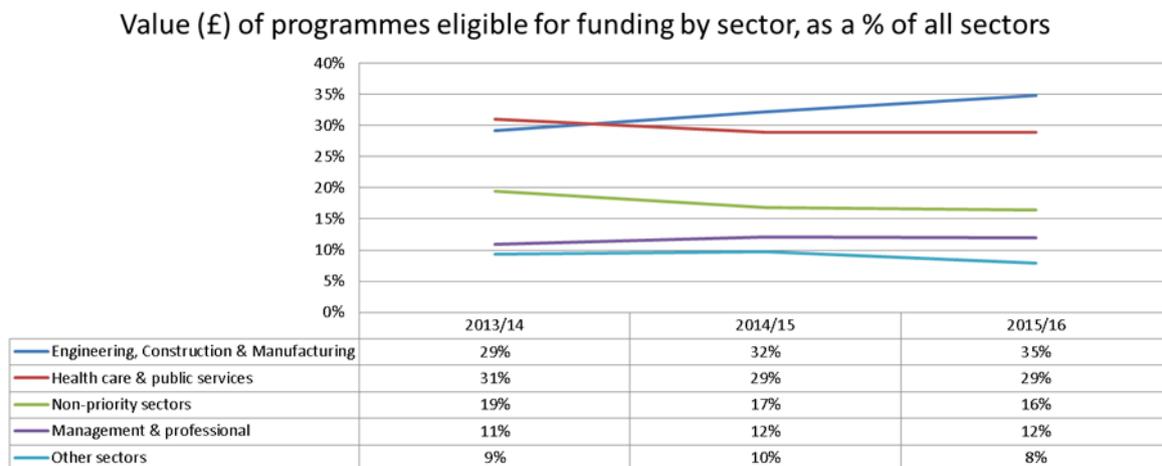
Investing in High Value Apprenticeships

9. Wales is rebalancing investment to align to the needs of Welsh businesses. The Welsh Government is shifting apprenticeship training from low cost sectors, where the skills content is relatively low and where there is limited evidence of skill shortages, into high value sectors. **Figure 1** illustrates the how funding values have increased in engineering, construction and manufacturing over a three year period.
10. The Wales Employment and Skills Board will expand its remit to monitor action arise from the implementation of the Apprenticeship Action plan. It will also establish a new employer led Apprenticeship Advisory Group to advise on apprenticeship framework developments with the aim of delivering a maximum of 30 high performing apprenticeship frameworks to drive forward the Welsh economy. Regional Skills Partnerships will feed into this process helping us direct investment to priority sectors and stimulate local and regional growth.

¹ Wilson, R., Beaven, R., May-Gillings, M., Hay, G., and Stevens, J. (2014). Working Futures 2012- 2022. Evidence Report 83, UK Commission for Employment and Skills, Wath-upon-Deerne.

² StatsWales – 2014/15

Figure 1



Apprenticeship Levy

11. **The UK Apprenticeship Levy is a UK Government employment tax** that is due to come into force from 6 April 2017. All employers (Public and Private) with a pay bill of more than 3 million each year will pay the levy. The levy rate is 0.5% of the employers' pay bill based on total employee earnings excluding payments, such as benefits in kind. Employers will have a levy allowance of £15,000 per year to offset against the levy which is paid to HM Revenue and Customs through PAYE process.
12. Wales receives a Barnett consequential of apprenticeship expenditure in England funded by the Apprenticeship Levy, alongside Northern Ireland and Scotland. For 2017/18 and 2018/19 this does not represent a population share of the forecast levy and in recognition of this the Treasury has provided a small amount of additional funding in these years. However, even with that adjustment, this additional funding has been largely offset by negative Barnett consequential arising from the cessation of spending on apprenticeship programmes elsewhere in the relevant Whitehall departments. **In aggregate, when this is combined with the additional financial burden the levy will place on public sector employers, there will be no noticeable additional funding available to Wales as a result of the levy.**
13. Wales, along with Scotland and Northern Ireland, were not consulted on the introduction of the levy, its scope and the rate.
14. In Wales we will continue to invest in apprenticeships at higher levels in technical areas and priority sectors, so that levy paying employers have access to the very best training. Regional Skills Partnerships will consult with levy paying employers to determine skills demands arising from the levy and ensure they are fully represented as part of the skills assessments they produce annually. Their plans will influence where we invest.

15. We will be supporting apprenticeships in public sector, as cited earlier in this paper. The levy will disproportionately impact on the Welsh public sector; the Welsh Government broadly estimates that Welsh public sector employers will have to pay the UK Treasury £30m per annum.

Communications and Support

16. To formalise the engagement processes with employers we are establishing a team of advisors who are able to support employers in determining the impact of the levy and on how their apprenticeship needs could be met – where they fall in-line with our priority sectors. This team will assess how current apprenticeships meet employer needs and how employers can maximise funding from the Welsh Government. Where there is evidence that apprenticeship content needs reviewing, will work to partners to do just that.

17. We will be publishing a factual guide on opportunities for Welsh levy payers, which sets out our policy approach in Wales. The draft guide was shared with the CBI who have supported our proposed messaging on the levy.

18. Contracted apprenticeship providers have nominated an apprenticeship levy co-ordinator who will receive information from the Apprenticeship Unit and dispatch appropriate staff to work with employers on the apprenticeship recruitment needs. We are currently holding meetings between apprenticeship levy co-ordinators and the Apprenticeship Unit.

19. There has been significant engagement with employers and representative bodies, such as the CBI. To date we have received in excess of 200 levy enquires and officials are working closely with employers and sector bodies to ensure that they understand our approach to apprenticeships in Wales.

20. For those levy paying employers who operate between nations, the Welsh Government is working with the UK Government and the other devolved administrations to agree a common position. We will be putting in place new processes that recognise their needs and provide clarity.

21. In England levy paying employers will need to select training providers themselves and agree a price for the training. In Wales we will directly fund providers who work with employers to diagnose their needs and agree a training package to meet those needs.

Meeting the needs of the Foundation Economy

22. The drive to develop and deliver apprenticeships at higher levels, in technical areas and priority sectors will mean a move away from lower level apprenticeship. We recognised that employers will nonetheless have workforce development needs for flexible, short-term programmes our non-priority areas, such as retail, business administration and customer service.

23. To address their needs, we are looking at how we can address skills gaps and the training needs of existing employees where a full apprenticeship might not be appropriate. Such training would need to meet industry standards and both provide value to employees and employers alike. Once initial options and flexibility are drawn up, we expect to consult with employers and other interested parties.

Annex A

Apprenticeship Approaches Across the UK

	Proposed system in Wales	Former system in Wales	Proposed System in England	Proposed System in Scotland	Proposed System in Northern Ireland
Priority activities	Higher level skills and priority sectors to boost productivity and GVA	Higher level skills and priority sectors to boost productivity and GVA	All Age approach.	Higher level skills and priority sectors to boost productivity and GVA	Higher level skills and priority sectors to boost productivity and GVA
Apprenticeship content	Apprenticeship frameworks linked to Celtic frameworks and National Occupational Standards development and international benchmarks of quality.	Apprenticeship frameworks	Apprenticeship Employer led Standards	Foundation, Modern and Higher Apprenticeships linked to Celtic frameworks and National Occupational Standards development and international benchmarks of quality.	Apprenticeship frameworks linked to Celtic frameworks and National Occupational Standards development and international benchmarks of quality.
Providers	19 quality assured large providers in Wales, incl. colleges and private providers.	19 quality assured large providers in Wales, incl. colleges and private providers	Quality assured providers determined by the Skill Funding Agency.	Large range of providers, incl. employers, colleges and private providers	Providers, incl. colleges and private providers
Achievement	Significant number of participants in World Skills Abu Dhabi	1 st in UK World Skills Competition 2016	3 rd in UK World Skills Competition 2016	2 nd in World UK Skills Competition 2016	4 th in World UK Skills Completion 2016
Quality and Inspection regime	Hazelkorn proposals	Estyn and QAA	It is unclear how the Institute for Apprenticeships and Technical Education will operate and connect with HMI, SFA, OfS and other bodies.	QAA Scotland and Education Scotland	QAA Northern Ireland and Education and Training Inspectorate Northern Ireland