

Council for Economic Renewal

Update on the UK Government's - Apprenticeship Levy

Introduction

1. This paper provides Council members with a summary of UK Government proposals to introduce a UK wide Apprenticeship Levy.

Apprenticeship Levy

2. The Chancellor announced in the Summer Budget proposals to introduce a levy on all large employers, including the public sector, across the UK. The levy is a response to the structural decline in employer investment in training; it will support the development of the skills base and help to drive productivity over the longer-term.
3. The UK Government wants to ensure that paying the levy is as straightforward as possible and therefore intends for the levy to be calculated on the basis of employee earnings and for employers to pay the levy through their PAYE return to HM Revenue and Customs. The UK Government consultation does not contain any information about the rate and scope of the levy. The CBI is working on the assumption (CBI briefing note July 2015) that the rate will be around 0.5% of payroll which in their view reflects comparable schemes elsewhere.
4. The UK Government is currently consulting on their proposals. The consultation applies across the UK and notes that skills policy is a devolved matter in Scotland, Wales and Northern Ireland. The consultation does not cover the levy rate and how a large employer is to be defined; more detail will be provided later in the year.
5. In England, the levy will help fund three million new apprenticeships during the lifetime of the current Parliament. The Welsh Government is currently discussing with the UK Government how a targeted levy will operate within the financial framework that applies to the devolved administrations.
6. Although there are fewer (relative to the rest of the UK) large private companies based in Wales, by definition they employ large numbers of staff. In 2014, 38.2 % of private sector employment in Wales was accounted for by large enterprises (those with 250 or more employees)¹. In addition some large UK companies have staff in Wales.
7. The UK Government is also:
 - consulting on applying a zero rate National Insurance Contribution across the UK for apprentices under 25s; and

¹ <http://gov.wales/statistics-and-research/size-analysis-welsh-business/?lang=en>

- developing proposals to introduce a skills charge on all UK employers who recruit migrants from outside the European Economic Area.
8. The levy will raise the profile of apprenticeships and create significant new demand in all sectors of the economy.

Apprenticeship Reform in Wales

9. Council members will be aware that in July 2014 Welsh Government published its *Skills Implementation Plan* which detailed actions to secure a more productive and higher skilled workforce ready for the jobs of the future. In response to this Welsh Government consulted earlier this year on proposals to develop its apprenticeship model to better meet the needs of the economy. Our system needs to support economic growth, be responsive to the needs of the future economy, provide a range of skills that aid social mobility and ensure equality. Apprenticeships are by far the most well known and respected “earn whilst you learn” option operating in the skills landscape.
10. Welsh Government wants to ensure that its apprenticeship system is compatible with other UK systems, so that apprenticeships are portable across the UK.