



Department for Business, Innovation & Skills

Apprenticeships Levy Consultation response form

The department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 2 October 2015.

You can also reply to this consultation online at:

<https://bisgovuk.citizenspace.com/ve/apprenticeshipslevy>

Please return completed forms to:

apprenticeshipslevyconsultation@bis.gsi.gov.uk

or:

Apprenticeships Levy Consultation
Department for Business, Innovation and Skills
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1 Victoria Street
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What is your name?

David Morris

What is your e-mail address?

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What is your job title?

Policy Officer (Education)

When responding please state whether you are responding as an individual or representing the views of an organisation.

I am responding as an individual

I am responding on behalf of an organisation

If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.

The National Union of Students (NUS) is a democratic, voluntary membership organisation which makes a real difference to the lives of students and its member students' unions.

We are a confederation of 600 students' unions, amounting to more than 95 percent of all higher and further education unions in the UK. Through our member students' unions, we represent the interests of more than seven million students.

NUS champions students to shape the future of education – and create a better world. We promote, defend and extend student rights.

The National Society of Apprentices was formally launched in February 2014 and is housed within NUS. We work with more than 120 training providers and employers, representing over 150,000 apprentices. The National Society of Apprentices represents apprentices from across all sectors and industries, across the whole of the UK regardless of level or framework. Uniquely we are directed by an elected team of apprentices.

This consultation response was approved by the elected NUS Vice-President (Further Education) and the elected Leadership Team of the NSoA.

What is the name of your organisation?

National Union of Students

	Business representative organisation/trade body
	Central government
	Charity or social enterprise
	Individual
	Employer (over 250 staff)
	Employer (50 to 250 staff)
	Employer (10 to 49 staff)
	Employer (up to 9 staff)
	Legal representative
	Local Government
	Trade union or staff association
	Further Education college
	Private training provider
	University
	Professional body
	Awarding organisation
x	Other <i>Student and Apprentice representative body</i>

Where are you based?

England Wales Scotland Northern Ireland

UK wide

If you are responding as an employer, which sector of the economy are you in?

	Agriculture, forestry & fishing
	Energy & water
	Manufacturing
	Construction
	Distribution, hotels & restaurants
	Transport & communication
	Banking, finance & insurance etc
	Public admin, education & health
	Other services

Consultation questions

Paying the levy

1. **Should a proportion of the apprenticeship funding raised from larger companies be used to support apprenticeship training by smaller companies that have not paid the levy?**

Yes **No**

Comments: NUS welcomes the introduction of the apprenticeship levy, and we urge the Government to continue to be bold in considering the national interest over-and-above the short-term interests of individual businesses and the lobbying of their representative organisations.

It is absolutely vital that apprenticeship funding from the levy is used to support training by smaller companies. Restricting funding to large companies who have paid the levy will only limit the scope and access to apprenticeships, particularly for areas where the only apprenticeships within an accessible travel time are those provided by small businesses (e.g. rural areas, small towns etc.). If apprenticeships are to provide a highly skilled workforce across the whole country, they cannot be limited to areas with concentrations of large companies.

Furthermore, it must be recognised that the apprentices of small companies today are the employees of large companies tomorrow, and vice-versa. Small companies must be enabled to train apprentices for the benefit of the long-term economy and business sector, and not be seen to 'free-ride' off the back of training provided by large companies.

If funding raised by the levy is not to be used by small businesses, then the Government must consider alternative sources of funding, such as a government funded 'top-up', to enable small businesses not paying the levy to deliver apprenticeships.

2. **Do you have any comments on the proposed mechanism for collecting the levy via PAYE?**

Yes **No**

Comments:

3. In your opinion, how should the size of firm paying the levy be calculated?

Comments:

4. Should employers be able to spend their apprenticeship funding on training for apprentices that are not their employees?

Yes **No**

Comments: As noted above, today's apprentices at one company will be tomorrow's employees at another. In order to spread the net as widely as possible for a diverse range of apprenticeships, we see no reason why employers should not be able to do this.

Employers operating across the UK

5. How should the England operations of employers operating across the UK be identified?

Comments:

There are a number of devolutionary anomalies that need to be considered in the implementation of the levy.

Foremost, there are a small number of apprentices whose employers are 'based' in England, but the apprentice completes their day releases, often in block, at a Scottish college. Any funds that an English-based employer receives to increase the apprentice provision would need careful consideration about how those colleges in Scotland, which deliver some of the learning, are able to benefit from this fund increase.

Secondly, there is a question about how apprenticeships in a UK-wide company would be affected if the levy is only applicable to English apprenticeships. It could be the case that in a UK wide company the apprenticeships they offer in England will have more funding available and possibly be at a higher quality apprenticeship than those being offered in Scotland. This could in effect create a two tier apprenticeship offer from the same employer. NUS believes that all apprenticeships offered should be of good quality and appropriate for the apprentice themselves. We do not think it would be fair for different levels or quality of apprenticeships to be offered from the same employer based on where an apprentice lives, as a result of funding disparities.

Finally, there could be consequences to the Barnett formula, if the UK government were to decrease the amount of direct public funds provided for apprenticeships, while increasing the overall funding available through the apprentice levy. While skills and education (including apprentice) policy is devolved, it is clear that there will always be funding implications where direct government spending is concerned. It is important that Scotland is not potentially forced to follow a policy decision taken elsewhere in the UK simply because of negative knock-on effects of Barnett consequences.

Allowing employers to get back more than they put in**6. How long should employers have to use their levy funding before it expires?**

- 1 year 2 years Other (please state in comments below)

Comments: Alison Wolf's SMF proposal for an apprenticeship levy emphasises how a successful apprenticeship scheme needs to ensure there are "sanctions as well as incentives" for employers to provide apprenticeships. As such, NUS believe that combined sanctions and incentives need to be as strong as possible, at least initially, in order to nudge employers towards apprenticeship delivery. Bringing the expiry date forward as early as possible would provide such an incentive and prevent 'deadweight funding' lying idle.

7. Do you have any other view on how this part of the system should work?

Comments:

8. Do you agree that there should be a limit on the amount that individual employer's voucher accounts can be topped up?

Yes **No**

Comments: It seems likely that there will have to be a limit on the top-up in order to ensure that funding remains balanced across a diverse range of employers in a diverse range of areas. However, NUS would like to see a relatively high limit to the top up in order to provide a similar incentive to the expiry date (as mentioned above). The premise of the levy is that employers who can offer greater quantity and quality of apprenticeships are incentivised to do so, and so a generous top-up needs to be allowed in order to provide this incentive.

Once again, NUS urges the Government to look past the short-term interests of individual big businesses and the CBI on this matter. The levy system will not create a greater quantity or quality of apprenticeships without sufficient incentives for employers to take more out than they put in with their contribution.

9. How do you think this limit should be calculated?

Comments:

10. What should we do to support employers who want to take on more apprentices than their levy funding plus any top ups will pay for?

Comments:

The levy is fair

11. How can we be sure that the levy supports the development of high-quality apprenticeship provision?

Comments:

We support NIACE's view articulated in their Comprehensive Spending Review submission:

“The new Apprenticeship Levy is a bold and ambitious step which will help halt the long term decline in employer investment in skills. We believe that a small proportion of the Levy should be ringfenced to develop a new Quality and Access Fund for Apprenticeships, to focus on widening access from underrepresented groups, improving engagement with small and medium sized employers and enhancing outcomes for apprentices and businesses. To put this proposed investment into context, over £1bn was spent on widening participation in Higher Education in 2013-14 (£87 million in Government funding, £327 million from the Student Opportunities Fund and £611 million by universities themselves).

The Fund could be utilised to support the development of a new quality mark for Apprenticeships – what we refer to as an Apprentice Charter. This would signal to parents, advisers, schools and potential apprentices which employers were offering the best opportunities for prosperous careers. In this way it would foster competition and collaboration between employers to drive up the quality of Apprenticeship opportunities. It will lead to more people starting Apprenticeships, keep them there, help them become more productive and progress onto higher level programmes or into work.”

During the National Society of Apprentice's regional membership events apprentices across the country highlighted that whilst the majority of apprentices were aware of what made an apprenticeship “legal” (the apprenticeship minimum wage, a contract and off the job learning) very few were able to differentiate between this minimum standard and what they would consider an excellent apprenticeship. NSoA calls for a quality kite mark for employers providing a broad education and clear progression opportunities.

12. How should these ceilings be set, and reviewed over time?

Comments:

13. How best can we engage employers in the creation and wider operation of the apprenticeship levy?

Comments: Successful models of vocational education in Europe rely not only on employer representation often through local chambers of commerce, but also education organisations, trade unions and social partners to ensure decisions are made with the long-term economic future of the region rather than short term financial gain.

Both the German and Austrian vocational education models include apprentices themselves as a key partner in assuring apprenticeship quality. As the national body representing apprentices regardless of where they are learning, who delivers their training or what framework they are on, the National Society of Apprentices would like to work with government to ensure that the levy and subsequent changes in apprenticeship policy also include the voice of apprentices.

Giving employers real control

14. Does the potential model enable employers to easily and simply access their funding for apprenticeship training?

Yes No

Comments:

15. Should we maintain the arrangement of having lead providers or should employers have the option to work directly with multiple providers and take

this lead role themselves if they choose to do so?

Yes No

Comments:

16. If employers take on the lead role themselves what checks should we build in to the system to give other contributing employers assurance that the levy is being used to deliver high quality legitimate apprenticeship training?

Comments:

17. Should training providers that can receive levy funding have to be registered and/or be subject to some form of approval or inspection?

Yes No

Comments:

Both NUS and NSoA believe that everyone should have access to an excellent apprenticeship, one that encompasses a broad education that equips apprentices for a career in an industry rather than one job within a company.

We are concerned to note that, according to BIS research, a fifth of apprentices do not receive off the job training and believe that no employer that treats apprentices this way should have access to the levy. Amongst hair apprenticeships 42% reported noncompliance with the national minimum wage. NSoA believes that employers and providers guilty of this should not have access to levy funds.

We suggest that a quality kite mark designed by employers, training providers and importantly social partners be the gateway that allows access to apprenticeship levy funds. In line with successful European apprenticeship models, such as the Austrian and German systems, we would suggest that NSoA (as the representative body of apprentices) and trade unions be part of this social partnership.

18. If providers aren't subject to approval and inspection, what checks should we build in to the system to give contributing employers assurance that the levy is being used to deliver high quality legitimate apprenticeship training?

Comments:

19. What other factors should we take into account in order to maximise value for money and prevent abuse?

Comments:

The levy is simple

20. How should the new system best support the interests of 16-18 year olds and their employers?

Comments: Apprenticeships will often fail to be an appealing alternative to university or immediately entering employment with the current rate of the apprentice minimum wage. The current minimum wage for apprentices, in spite of the recent rise, is exploitative and not enough to cover basic living expenses for young people and their families. In particular, it does not account for the loss in child tax credits and child benefit that low-income parents of 16-18 year olds have to budget for.

This might go some way to explaining why apprenticeships for under 19s have not grown at the same rate as apprenticeships for other ages.

NUS strongly recommends that the apprentice minimum wage be brought in line with the national minimum wage (and ideally the living wage) for all age groups.

21. Do you agree that apprenticeship levy funding should only be used to pay for the direct costs of apprenticeship training and assessment?

Yes No

Comments: There is substantial evidence to suggest that funding needs to be made available to tackle a variety of issues within the apprenticeship system. These include:

- Sharing and facilitating excellent practice
- Making apprenticeships more accessible to those without other sources of income
- Tackling inequalities in apprenticeships, particularly related gender inequality in opportunities and pay

NUS are favourable towards NIACE's proposal to create a 'Quality and Access Fund' on a similar model to work done to improve access and quality in higher education.

NUS also recommend exploring the possibility of using levy funding to 'top-up' apprentice wages to the national minimum wage for 16-18 year old apprenticeships. This would have the effect of incentivising both 16-18 year olds and employers to enter into apprenticeships. As the lower wage rate for apprentices has previously been justified as an 'apprentice contribution' to their training, allowing employers to top-up wages with their levy account would function as an 'access fund' for those unable to survive on the current apprentice minimum wage.

Subsidising wages - at least for the initial years of an apprenticeship and for targeted groups - is a feature of the Austrian levy system (see https://cumulus.cedefop.europa.eu/files/vetelib/2015/ReferNet_AT_2014_WBL.pdf)

NUS will be outlining further details of how such a system could work in future publications and campaigning, and would like to discuss this idea in much greater detail with BIS.

22. If not, what else would you want vouchers to be able to be used for and how would spending be controlled or audited to ensure the overall system remains fair?

Comments:

23. Are there any other issues we should consider for the design and implementation of the levy that haven't been covered by the consultation questions we have asked you?

Yes No

Comments:

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Comments:

We welcome many of the aspects of this proposal but would ask BIS to engage with the National Society of Apprentices and NUS to speak to apprentices about the many changes being brought forward to improve apprenticeships and the lives of apprentices.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No