



The Apprenticeship Levy: Maximising the impact for Thames Valley Berkshire

April 2017

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Key findings

Key findings from this research are:

1. Employers have mixed views on whether or not the apprenticeship levy is a 'good thing'. Currently, slightly more view it positively than negatively, with many of those who are, on balance, against its introduction, acknowledging that it will bring some benefits.
2. The introduction of the levy will increase the number of apprenticeship opportunities available in Berkshire. This is likely to be a relatively small increase (in the short-term at least), as most employers who plan to spend their levy anticipate spending the bulk of it on their existing apprenticeship programme and/or on upskilling their existing workforce.
3. The levy will (and has) encourage(d) some Berkshire employers to take on apprentices for the first time.
4. There are signs that the introduction of the levy will lead to a reduction in the number of graduate opportunities available for university leavers across Berkshire. Some employers plan to balance an increase in their apprentice intake by decreasing their graduate intake.
5. As the number of employers intending to use degree apprenticeships looks set to increase, they will become increasingly recognised by young people and their parents as a valid alternative to the traditional university route.
6. The number of digital apprenticeship opportunities in Berkshire looks set to increase substantially.
7. The understanding of the term 'apprenticeship' could hinder recruitment, in the short-term at least. Many young people and their parents are unaware that new apprenticeships are available at all levels (up to PhD level); are available in all sectors; and can be undertaken at any age.
8. The levy looks set to increase levels of training and development within the Berkshire workforce, although to what extent it is unclear. Increased investment in management and leadership, in particular, should lead to productivity gains for the Berkshire economy.
9. Many employers, particularly very large ones, do not anticipate being able to spend all of their levy pot. This was part of the design of the system as money not drawn down by levy-paying employers is intended to be used to fund apprenticeship training for smaller employers.
10. Many very large companies are keen to explore the option (to be introduced in 2018) to share 10% of their levy pot with others in their supply chain.
11. Employers have concerns that productivity, efficiency and service delivery will be negatively affected by apprentices spending 20% of their time undertaking off-the-job training.
12. Employers who applied to become an employer training provider found the process very difficult to navigate
13. Employers are frustrated at the lack of timely information available from government. They have been unable to finalise their levy strategies until late in the day so will not be able to hit the ground running.¹
14. There is confusion and some concern amongst non-levy paying SMEs regarding what the impact of the apprenticeship reforms will be for them.

¹ Since the interviews were conducted some additional information has been released by government

1. Introduction

1.1 Background

Apprenticeships are changing. The changes will impact how Berkshire employers train, employ and fund apprentices. The aim of the changes is to improve UK productivity by increasing investment in human capital.

The main changes being made to apprenticeships are:

- From May 2017, large employers with a payroll bill over £3 million will be required to invest in apprenticeships by paying into a central, government-managed apprenticeship levy pot on a monthly basis
- Levy-paying employers will be required to contribute 0.5 per cent of their pay bill to the pot
- Funds will be held in a digital account. Levy paying employers can draw down funds from their account to purchase apprenticeship training
- Funds need to be spent within 24 months of entering the account
- By 2020, employers of all sizes will use digital accounts to pay for apprenticeship training
- Current apprenticeship 'frameworks' will be replaced by 'standards', by 2020. These are being developed by employer-led partnerships
- Apprenticeship standards will set out the core skills and knowledge that apprentices need to be fully competent in
- Apprenticeships will be at least one year in duration, and require the apprentice to spend 20% of their time undertaking off-the-job training
- Individuals can undertake an apprenticeship at any level, right up to PhD level. This could be at a higher, equal or lower level to a qualification they already hold, if it allows them to acquire substantive new skills
- Any group of 10 or more employers can work together to develop an apprenticeship standard
- Each apprenticeship standard will be assigned to one of 15 funding bands, each with an upper limit of between £1,500 and £27,000. Allocation to a particular band reflects the expected cost of training
- Employers can commission apprenticeship training from training providers listed on the Register of Apprenticeship Training Providers (RoATP), or can apply to become training providers themselves.
- Employers will negotiate the price of training directly with training providers
- Public sector employers with more than 250 employees will have a target of at least 2.3% of their workforce undertaking apprenticeships every year
- Government contracts of over £10m and 12 months will be assessed on their contribution to apprenticeships
- Medium-sized employers (with more than 50 employees but a payroll of less than £3 million) will contribute 10% of the cost of training an apprentice, and the government will 'co-invest' by paying the remaining 90%
- Small employers (with fewer than 50 employees) will not pay anything towards training costs if they employ apprentices under the age of 19. They will contribute 10% towards the training of apprentices aged 19 and over.

1.2 Research aim and objectives

Thames Valley Berkshire Local Enterprise Partnership (LEP) was keen to understand the potential impact of the apprenticeship levy on Berkshire employers' recruitment and workforce development behaviour, and to identify how best to maximise its impact on productivity and local economic growth.

The main objectives of the research were to:

- Gauge awareness of the apprenticeship levy amongst levy-paying employers
- Understand how employers intend to use their levy
- Identify how the levy could add value to the Berkshire economy

The LEP intends to use the research findings to:

- Raise awareness of the apprenticeship levy
- Showcase good practice
- Signpost employers to good quality advice and support

The research was funded by the Skills Funding Agency as part of their Apprenticeship Readiness work.

1.3 Methodology

The research was conducted by Thames Valley Berkshire LEP between 1 February and 31 March 2017. It used qualitative methods and was based on a relatively small sample of employers. Whilst it is not therefore possible to provide quantitative estimates of the overall impact the levy is likely to have, it provides a rich insight into how, and the extent to which, levy-paying employers plan to adapt their recruitment and training practices.

The research approach consisted of:

- A literature review
- 34 semi-structured interview
- Three case study interviews

The aim of the literature review was to understand the changes being made to apprenticeships and the potential implications for employers. This informed the questions asked of local employers in the subsequent interviews.

The semi-structured interviews were primarily conducted with levy-paying employers, from both the public and private sector. The majority of those interviewed work in HR roles, the remainder being senior executives or public affairs leads. A list of participating employers is provided at Annex 1.

The aim of the interviews was to provide an insight into:

- The extent to which levy-paying employers are intending to increase their intake of apprentices
- The extent to which levy-paying employers are intending to use their levy to upskill their existing workforce
- The potential impact on existing recruitment and learning & development activity (for example, implications for graduate recruitment and the provision of short training courses)
- The extent to which employers anticipate being able to spend their levy pot
- Challenges that employers have experienced or envisage with the introduction of the levy

The sample was designed to try and include a good mix of employers according to their size, sector, geographic location and the extent to which they had engaged with apprenticeships in the past. This was largely achieved. Four sectors in which interviews were not able to be secured within the timescales of this project were: state schools; social care; hospitality; and retail. Thames Valley Berkshire LEP will undertake follow up work with employers in these sectors to ensure any particular issues they face are identified.

The lack of available data regarding which employers currently use apprenticeships made it difficult to identify employers who had not previously engaged but would be subject to the levy. Thames Valley Berkshire LEP will continue to work with the Skills Funding Agency to try and fill this intelligence gap.

The aim of the case studies was to:

- showcase different approaches being taken by employers
- share good practice and to stimulate ideas

The reason for choosing the three case study employers selected are set out in the table below.

Employer	Size (employees)	Sector	Location	History	Approach
Acorn Engineering	90	Engineering	Slough	No previous engagement with apprenticeships	See levy as an opportunity to review approach to learning and development
Romans Group	620	Property	Thames Valley Wide	Started using apprenticeships a few years ago	Have adapted and enhanced existing training
Centrica	40,000 globally, 30,000 UK, 600 in Berkshire	Utilities	Windsor (Global HQ)	Have a well-established apprenticeship scheme	Broadening out apprenticeship scheme and measuring ROI

Whilst no tech or public sector employers are included as case studies, specific actions for engaging employers in these sectors and ensuring that the levy adds value are set out in the recommendations section of this report.

2. Context

2.1 Growing the Berkshire economy

Thames Valley Berkshire (TVB) is an economic powerhouse of enormous importance to the UK. It has the strongest local economy (in terms of both economic output and productivity) outside of London.

Berkshire's strong economic performance is largely due to the structure of its economy, particularly the domination of the tech sector. 14% of Berkshire's workforce work in this sector (compared with just 4% nationally). Other key sectors include life sciences and professional services.

With high employment rates, it is anticipated that the greatest uplift in Berkshire's future economic output will be driven through productivity improvements, rather than an increase in the number of people employed; hence the focus of the Thames Valley Berkshire Strategic Economic Plan (SEP) on "effectively developing and utilising talented people".

The SEP identifies the need for Berkshire employers to "inspire the next generation and build aspirations and ambition" and to "make better use of those already in the workforce". Apprenticeships have a role to play in both these areas.

2.2 Apprenticeships in Berkshire

Berkshire employers have historically been less likely to employ apprentices than employers elsewhere in the country. This is likely to primarily be due to the structure of the local economy. The dominant tech sector has not traditionally been a big recruiter of apprentices. In addition, Berkshire has a higher proportion of jobs requiring a degree level qualification than in other parts of the country, and a smaller proportion requiring level 2 and 3 qualifications, the levels at which apprenticeships have mainly been delivered to date.

In addition to low demand from employers, the proportion of Berkshire's young people seeking apprenticeship opportunities is also comparatively low. This could be due to the area having a relatively strong academic achievement rate meaning that more young people have been directed towards degrees rather than vocational qualifications. It could also be due to the high level of school sixth form provision within Berkshire, meaning that more young people stay on at school than in other parts of the country and may not therefore receive a great deal of information about non-academic routes.

The latest data shows a 7% drop in the number of apprenticeships being started in Berkshire between 2014/15 and 2015/16². This goes against the national trend (a 3% increase).

In total, 5,365 apprenticeships were started by Berkshire residents in 2015/16. Approximately half at level 2, 43% at level 3 and 6% at level 4. 62% were being undertaken by young people (aged 16-24) and 38% by residents aged 25 and older.

We do not know exactly how many Berkshire employers will be paying the levy. Using PwC's proxy that companies and organisations with over 120³ employees will be subject to the levy, we estimate that the levy will be paid by approximately 500 Berkshire employers.

² Bespoke analysis of Skills Funding Agency data undertaken by Thames Valley Berkshire LEP to exclude Army provision which has historically distorted local apprenticeship statistics.

³ There will be employers with a smaller workforce who have high payrolls and therefore will be subject to levy

2.3 National research

Four key pieces of national research on the introduction of the apprenticeship levy have been conducted over the last 12 months. These studies have been undertaken on behalf of: the Department for Education; CIPD; the IFS; and City & Guilds. The key findings of these four pieces of research were:

- There is low knowledge amongst employers about the levy⁴ (and wider reforms)
- Employers have mixed views on whether or not the levy is a 'good thing'
- The levy will lead to an increase in the number of apprentices
- The levy will lead to some employers taking on apprentices for the first time
- The levy is likely to slightly increase the amount of learning and development that employers provide
- There will be 'deadweight' with some employers re-badging existing training programmes as apprenticeships
- The range of occupations which employers train via an apprenticeship will expand
- There will be an increase in apprenticeships being delivered at degree level and higher

⁴ Research undertaken by City & Guilds in November 2016 found that approximately a third of employers who are likely to be paying the levy were not aware of it.

3. Research findings

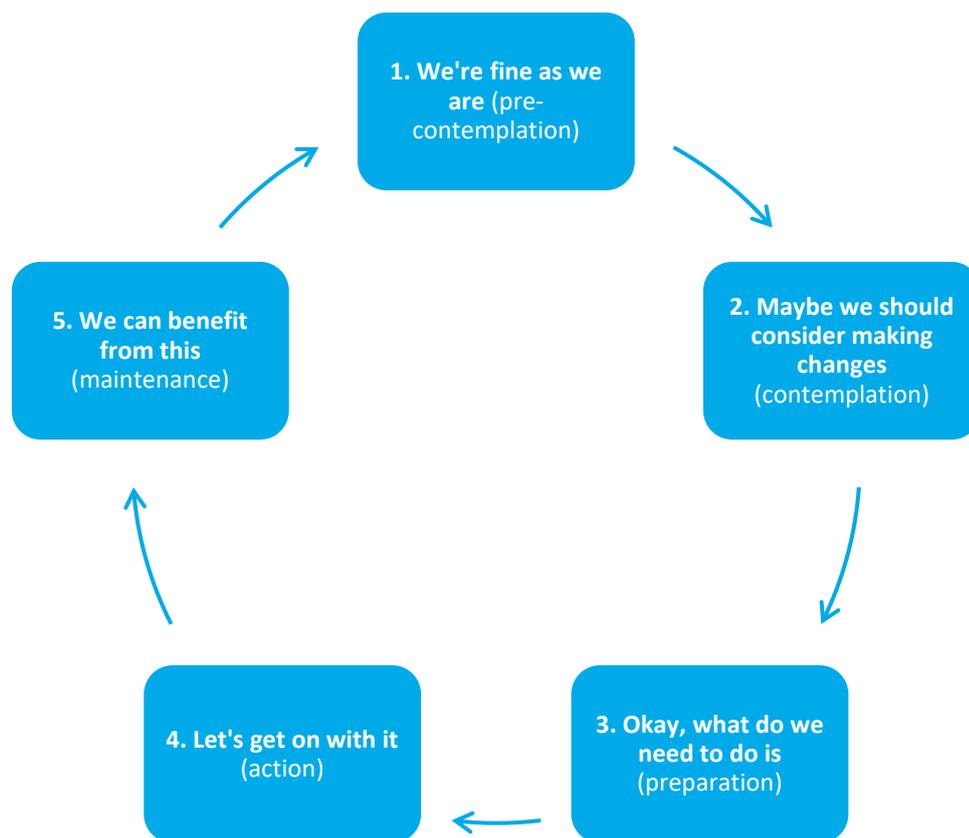
This section sets out the key findings from interviews conducted with 33 levy-paying employers operating in Berkshire. Some of these employers operate solely within Berkshire, some operate across the wider Thames Valley and some operate across multiple UK sites including a site in Berkshire. For the purposes of this research, 'very large employer' refers to employers with a UK workforce of over 2,000 people, whilst 'smaller levy-paying employer' refers to employers with fewer than 600 staff.

3.1 Attitude towards the Levy

Most levy-paying employers interviewed are on a journey. After initial consternation, many have now moved into 'let's get on with it' mode.

We can map employer attitudes to the stages of behaviour change⁵ (figure 2). Most of those interviewed were in stages 3 and 4.

Figure 2. Stages of behaviour change



⁵ Prochaska et al, 1977

Very larger private sector employers were most likely to view the levy negatively, although not all did. Those who did tended to do so because they felt they already had the right number of apprentices for their business and that the government was using the levy as an additional tax on large companies.

"At first we saw the levy as a tax. And we still do to some extent. But we're now in 'let's get on with it' mode"

Large private sector employer

Many employers are taking a 'wait and see' approach and, whether they currently employ apprentices or not, plan for 'business as usual' in year 1 and to refine their strategy in subsequent years. Some employers (mainly very large ones) have recruited (or are in the process of recruiting) dedicated apprenticeship levy managers to help them maximise their levy pot.

"Big companies are being asked to shoulder the burden - again"

Large private sector employer

The levy will lead to some employers who have not historically taken on apprentices, doing so for the first time. Employers interviewed who have not recruited apprentices previously, or who have tended to provide little in the way of workforce development, spoke most positively about the levy, saying it had prompted them to re-think their approach.

"We've chosen to embrace it and believe it will be a net positive"

Large private sector employer

"With the levy on the horizon we started to recruit apprentices for the first time in 2016. The concept of apprenticeships appealed and it is working out well"

Smaller levy-paying employer

3.2 Levy strategies

Broadly speaking, levy-paying employers are planning to adopt one or more of the following strategies:

1. Not use their levy and write it off as a tax
2. Take on apprentices for the first time
3. Increase their intake of apprentices
4. Use their levy to upskill their existing workforce

"The highly specialist nature of our work doesn't lend itself to supporting apprentices. We might consider [recruiting apprentices] in the future, but have no plans at present"

Smaller levy-paying employer

Write off as a tax

Whilst we only spoke to one employer who had no plans to use their levy at all, a number of very large employers we spoke with said they were likely to only use a small proportion of their pot. The main reasons employers gave for writing all, or most, of their levy off as a tax were:

- Unable to increase headcount to take on new apprentices
- Unable to release existing staff for 20% of their time to undertake training
- Only employ experienced staff and don't have a culture of training and development
- Too burdensome to support young apprentices (in terms of the time needed to mentor and develop them)

"We mainly employ graduates who go through lots of hoops with professional qualifications. Apprenticeships wouldn't suit them"

Smaller levy-paying employer

- Satisfied that their existing training (whether delivered internally or externally) meets business needs and don't envisage it could be re-badged as apprenticeship training.

Taking on apprentices for the first time / increasing intake of apprentices

About half of the employers interviewed said they intended to increase their intake of apprentices, though not, in the main, in great volumes. A number of employers interviewed said they planned to take on apprentices for the first time. Again, in relatively small volumes.

"We plan to increase intake but slowly. By about 10%. When new standards come on board"
Very large global employer

Common approaches to increasing apprentice intake cited were:

- **Diversifying** – recruiting apprentices into areas of the business that previously have not had apprenticeship posts (areas most commonly cited were IT, finance, HR and customer service).
- **Reducing graduate recruitment** – maintaining overall levels of new entrants, but reducing the number of graduates recruited and increasing the number of apprentices.
- **Replacing non-apprenticeship posts with apprenticeship posts** - always considering whether a new vacancy could be an apprenticeship vacancy before advertising.

"We plan to take on two to start with as a pilot and see how it goes."
Smaller levy-paying employer

"Each time a vacancy is advertised, we'll consider if it could be an apprenticeship. We are limited financially. We can't create additional apprenticeship posts as we can't afford the additional salary costs. We can look to replace people who leave with apprentices though"
Further Education College

The main reasons (which are not mutually exclusive) given for not increasing apprentice intake were:

- The number of apprentices taken on is determined by business need and nothing else
- Unable to absorb additional new apprentices into the company
- Cannot afford to pay the salaries for any additional apprentices

"We revisited the business case for graduates and found that they were not providing a good ROI. Apprentices are more likely to have become the leaders of the future within the organisation than graduates"
Very large employer

"In the long-term we anticipate that the number of graduates we recruit will go down and the number of apprentices will go up"
Large employer

"Apprentices could get paid £10,000 plus a £2,000 bonus and will be career motivated. Whilst a career administrator, who wants to do the job then go home, would get paid about £17,000. Therefore, it's financially beneficial to recruit apprentices"
Smaller levy-paying employer

Workforce development

Just over half of the employers interviewed plan to spend some of their levy on training existing employees. Key themes being:

- Many plan to use their levy on **management and leadership** development (often to aid succession planning), although it is not clear how much training and development in this area will be over and above what is already provided via existing workforce development programmes.
- Many plan to use the levy to upskill their **digital, finance, social work, early years, catering** and **HR** staff.
- Some noted that they plan to focus their levy on employees who are in the **early stages** of their career.
- Many plan to make use of **higher-level standards** (at degree level and above) to develop their workforce
- Some plan to use apprenticeships as a retention / engagement tool, particularly for graduates.
- Many plan to use performance reviews / Training Needs Analysis to identify which staff could benefit from apprenticeship training

"We're planning to use the levy to upskill our non client-facing staff. IT, L&D, finance etc. They haven't traditionally had as much focus so the levy will provide an opportunity for upskilling people in these roles and increasing employee engagement"
Very large global employer

"We provide a lot of training to graduates but don't currently recognise it as an overall package of development. We could wrap it together with a qualification and market it more clearly as an investment in the individual"
Large global employer

The main reasons employers gave for not using their levy to upskill their existing workforce were:

- They are unable to accommodate the requirement for apprentices to spend 20% of their time undertaking off-the-job training
- They successfully use private training providers to deliver professional qualifications and don't want to change what works.
- They didn't have a good experience with Train to Gain so are sceptical about government training schemes

"It's exciting from a workforce development perspective. We are hoping we can use all of our pot for this. We'd like to use it for financial courses"
Large multi-site employer

"It could help upskill staff in light of ongoing restructuring. For example, moving people from supervisory to management positions"
Local authority

3.3 Extent to which employers expect to spend their Levy pot.

The majority of very large private sector employers interviewed stated that they will be unable to spend all of their levy pot. These employers tended to be keen to explore future options for sharing some of their levy pot with others in their supply chain.

Many large public sector employers (including the NHS and local authorities) also said they are unlikely to be unable to spend all of their levy pot, initially at least.

A couple of smaller private levy-paying employers stated that they were likely to overspend their levy pot. Overspending could be particularly beneficial for those with a smaller levy bill as the government will invest 90% of the cost of training once the levy pot is spent.

“At first it felt like a cost that we needed to mitigate, but it has triggered the conversation around skill and resourcing needs, and has encouraged us to think more strategically”
Very large global employer

“It has provided the impetus to develop a more holistic, joined-up approach”
Local authority

3.4 Added value

We asked employers whether the introduction of the levy was likely to provide any added value to their company / organisation. Responses were mixed. Many larger private sector companies felt not. However, others cited a range of examples of how they thought it would have a positive impact. The most commonly cited benefit was that it was encouraging more strategic thinking around the current and future skill needs of their organisation. Particularly amongst senior leaders.

“It forces the conversation about professional development”
Further Education College

Other benefits anticipated were:

- Improved **employee engagement** and **staff retention** (which would ultimately be a cost saving)
- Greater transparency and **focus on the RoI** of training
- Using apprenticeship standards to help develop **career path structures / succession planning**, which could reduce the need to recruit (again, a cost saving)
- Improved internal **mentoring and coaching skills** (in some cases managers of apprentices will be provided with additional training to help them mentor and coach them)

“One key thing about the levy is that it has forced the conversation about L&D. We wanted to do more and it has pushed us to do so. And we now have buy-in at board-level”
Smaller levy paying employer

3.5 Challenges

The employers we spoke to listed a range of challenges regarding the introduction of the levy. Some of these have been mentioned in other sections but are summarised here for ease

- It will be an **additional cost**
- The amount of time apprentices are required to be **away from their job** (20% of time undertaking off-the-job training) could impact on efficiency / is too onerous
- A **lack of timely information** from government (on approved training providers, funding bands, availability of standards and end point assessments)
- It's a very **steep learning curve** for employers who have not employed apprentices previously
- The **administrative burden** (for the HR / payroll team) – a number of employers have strengthened their staffing in this area or are planning to do so. Smaller levy-paying employers are unlikely to be able to dedicate as much staff time to the levy as larger employers.
- Difficulties involved with working with a number of **different providers**.
- The process of becoming an **employer training provider** is difficult to navigate
- The **term 'apprenticeship' causing confusion**. For example a view that the general public will continue to view apprenticeships an entry route into a trade for school leavers. There hasn't been a great deal of marketing (by government) to the public on the changes.
- **Proving the benefits of apprenticeships internally** (to senior leaders)
- The **readiness of training providers**
- Could lead to a **reduced training budget for other (non-apprentices) staff**

"With the 20% off-the-job training, the issue of backfill could be an issue. We'd need to minimise disruption to the production aspect"

Very large global employer

"We are looking at becoming a training provider to train our own people. But the infrastructure and forms are designed by the public sector for an education audience. We don't understand the acronyms and language and there is no guidance"

Very large global employer

"Using the word Apprenticeships has not helped. Conjures up an image of a gangly 16-year-old"

Very large global employer

"We don't know what the costs will be. For example, a cost of £6,000 for a Bricklaying Apprenticeship was provided, but was then withdrawn. Companies need to know how much to budget"

Industry body

Some sector-specific challenges were mentioned by the employers interviewed. These are summarised below:

Public sector

- Large public sector organisations have the additional challenge of meeting the 2.3% target for the proportion of their workforce undertaking apprenticeships⁶.

"They've put the cart before the horse, there are still a lot of unknowns"

Very large global employer

⁶ The IFS believe that the 2.3% target should be abolished as it is largely designed to hit the government's target for 3 million new apprentices, not as a way to increase the quality of public services

- Local authority’s payroll includes school staff, but it is difficult for them to influence schools training plans.
- Local authorities are operating in a climate of government cuts and are therefore unable to take on additional headcount.
- 20% off-the-job training will be a challenge where resources are extremely stretched.
- The cost of the levy being passed onto tax payers via increases in council tax

Digital technologies

- The pace of change in the technology sector could mean that standards will be out-of-date quickly.
- 20% off-the-job training will be difficult to accommodate (an example cited included an IT consultancy firm who use a billable hours model)
- The sector has not traditionally been a big user of apprenticeships therefore the concept will be new to many employers and employees

Sectors with a large part-time, field-based or seasonal workforce

- An employer with a largely field-based workforce voiced concerns about not being able to provide suitable field-based opportunities for young apprentices.
- An employer from a sector with a large EU workforce, employed on a seasonal basis, raised the issue of not being able to train these staff using apprenticeships as there is a requirement for apprentices to be on a contract of a year or more and to have been in the country for at least three years.
- Employers with large part-time workforces said that they find it more difficult to use apprenticeships to train staff (e.g. schools, early years settings, the fire and rescue service, the hospitality sector)

Other sector issues

- It will be harder for employers in sectors using apprenticeship standards in a low funding band to spend their pot.
- An employer predominately employing graduates undertaking continuous CPD through professional qualifications felt that it wouldn’t appropriate for these staff to undertake apprenticeships as well / instead.

3.6 Berkshire-wide issues

Supply and demand

Our research suggests that there will be an increase in the number of apprenticeship opportunities available in Berkshire. Many employers will be targeting young people for these roles.

The main peak in vacancies being advertised is expected in June and July, as employers try to attract the best candidates from full-time education. There is also likely to be a peak in April and May, as some levy-paying employers have held off their apprentice recruitment until they can draw down funding from their levy pot.

Given that employers already find it difficult to recruit apprentices, it could be that employer demand outstrips the number of good quality candidates available.

“Recruiting is an issue. We had 10 posts, 100 responses, shortlisted 50 applicants but didn’t fill all the positions”

Local authority

“A high proportion of students from Berkshire go to university, this could mean employers struggle to recruit apprentices”

Industry body

Parents are often identified as the biggest barrier to young people deciding to embark on an apprenticeship, as, broadly speaking, they tend to view gaining a degree at University as the best route to a successful career. They also tend to view apprenticeships as an entry route for young people into trade or administrative roles.

Some commentators believe that the high level of sixth form provision within Berkshire results in more young people staying on at school and not receiving a great deal of information about non-academic routes such as apprenticeships.

Public sector ‘regurgitation’ of apprentices

One interviewee voiced concern that a low proportion of apprentices taken on by public sector organisations to ensure they meet their 2.3% target would be offered jobs on completing their apprenticeships (particularly in the context of public sector spending cuts) and therefore would be ‘regurgitated’ back into the labour market. They then might find it difficult to join another organisation slightly higher up the career ladder as employers might be primarily seeking to recruit new apprentices into their ‘early career’ roles.

Small businesses

We spoke to a few smaller, non-levy paying employers as part of this research, and some organisations that work with small employers. The general feeling was that it was unclear what impact the levy and wider reforms would have on smaller businesses.

Some concerns mentioned were:

- For SMEs recruiting apprentices aged 19 and over there would be an increased cost (10% contribution to training)
- Big companies increasing their apprentice intake could ‘hoover up’ the best talent meaning that SMEs miss out
- The buying power of large employers could skew the apprenticeship training market
- Large employers are developing standards to meet their needs and they might not suit SMEs
- Competition resulting in fewer training providers which could impact on SMEs

“For us, the cost of an apprentice is far outweighed by the benefits. Even if we had to pay £2,500, we would still recruit apprentices. However, the cost might put off a micro business who had not had an apprentice before”
Non-levy paying SME

“None of our rationale for taking on Apprentices is price driven, so I doubt the reforms will make any difference.”
Non-levy paying SME

Sharing levy pot with supply chain

The forthcoming (2018) option for employers to share their levy pot with others in their supply chain was viewed favourably by many very large companies. This could lead to greater inter-firm collaboration, which could have wider economic benefits for the local economy.

"From 2018 we plan to make the most of the supply chain 10% and push the boundaries. We're considering using on STEM teacher training for example"

Large global company

"The supply chain element is a massive opportunity for firms to work together in a joined up sustainable way"

SME

Increase in digital apprenticeships

Despite the dominance of the tech sector in Berkshire, between 2011/12 and 2014/15, a relatively low number of digital / ICT apprenticeships were being undertaken (around 5% of all apprenticeships). There were signs of an upward trend in 2015/16 when with the figure increasing to 7%. It is likely that this figure will continue to increase as Berkshire's tech employers become increasingly engaged with apprenticeships to ensure they are maximising their levy.

Wage deflation

The Office for Budget Responsibility (OBR) predicts that the introduction of the levy, along with additional costs to employers from auto-enrolment into pensions and an increase in the national minimum wage, could slow wage growth as costs are likely to be largely passed onto employees. This could minimise the spending power of employees and have a knock-on impact on the local consumer economy. However, the OBR expect any impact on wage growth to be short-lived and expects that the levy will lead to increased productivity, profitability for businesses and increased wages over the long term.⁷

Displacement

There is some evidence that employers will seek to fill vacancies - that they would have previously filled with experienced individuals - with an apprentice: to be able to draw down levy funding and / or reach their apprenticeship target. This could lead to some experienced staff finding it more difficult to find work.

⁷ http://budgetresponsibility.org.uk/docs/dlm_uploads/Overview___EFO___November___2015.pdf

4. Conclusion

The main objectives of the research were to:

- Gauge awareness of the apprenticeship levy amongst levy-paying employers
- Understand how employers intend to use their levy
- Identify how the levy could add value to the Berkshire economy

Awareness

National research undertaken in November 2016 by City & Guilds suggested that around a third of levy-paying employers were not aware of it. This will reduce as the levy comes into effect.

The employers we interviewed for this research were all aware of the levy to some extent, but their level of knowledge and how advanced they were in terms of developing a 'levy strategy' varied considerably. Unsurprisingly, those with the largest levy bills appeared to be furthest ahead in their thinking. A number of those interviewed have been involved in developing apprenticeship standards.

How employers intend to use their levy

Most employers intend to use their levy on a mixture of new recruits and their existing workforce. In both cases, many plan to target those in the early stages of their career. In addition to upskilling their workforce, employers tend to believe the increased focus on learning and development will improve employee engagement, retention and succession planning.

Adding value to the Berkshire economy

The main way the apprenticeship levy will add value to the Berkshire economy will be by improving productivity. This will mainly be achieved through raising skills, but also potentially through greater cross-firm collaboration (through greater supply chain interaction for example). Whilst there will undoubtedly be some 'deadweight', whereby employers re-badge existing training provision as apprenticeships, overall the signs are that the levy will result in increased levels of training and development across Berkshire.

5. Recommendations

In order to maximise the impact of the levy on the Berkshire economy we recommend that **organisations in a position to influence levy-paying employers** encourage them to:

1. Use their levy pot to address current and future skills gaps and areas of high attrition within their business
2. Think creatively about how the levy could add value to current learning and development activity
3. Put strong mentoring and coaching in place to support new apprentices - to enable them to add value to the business
4. Include the cost of training in a total reward statement so employees can see, along with their salary and other benefits, how much has been invested in them
5. Brief managers and staff on 'new' apprenticeships (i.e. they are no longer purely aimed at young new recruits entering trade roles)
6. Ensure they are 'levy compliant' in terms of contracts of employment and ensuring employees address details are up-to-date
7. Ensure that employers with a smaller levy bill are aware of the potential to benefit from overspending their levy pot⁸

Specifically, Thames Valley Berkshire LEP plans to:

1. Use this research to inform the work of the Berkshire Apprenticeship Hub
2. Publish and promote the research and accompanying case studies to share good practice and to stimulate ideas
3. Create a virtual network of levy-leads to share experiences and how challenges have been overcome
4. Hold a local event to share practical tips and advice; and showcase good practice
5. Explore the potential for holding a specific event for tech companies, particularly those who have not engaged with apprenticeships to date
6. Encourage the six local authorities to share knowledge and approaches. By joining forces there could be the potential to secure additional support in the form of a National Apprenticeship Service account manager⁹. There could also be potential in developing a Berkshire-wide local authority ATA (Apprenticeship Training Agency)
7. Through local projects (including the Apprenticeship Support and Knowledge (ASK) for schools project and the Careers and Enterprise Company), work with schools to raise awareness amongst teachers, young people and parents that apprenticeships are a viable alternative to university, particularly focusing on the point that young people following this route will incur no debt and will earn whilst they learn.

⁸ For example, if an employer had a Levy pot of £15,000, and the cost of management apprenticeship training was £5,000, the employer could decide to sign up four members of staff, spend their levy pot and get 90% of the cost for one covered by the government.

⁹ Assigned to very large employers

Appendix

Signposting

Main government apprenticeship page - <https://www.gov.uk/topic/further-education-skills/apprenticeships>

Key apprenticeship documents in one place - http://feweeek.co.uk/2017/03/15/apprenticeship-funding-apprenticeship-providers-and-the-levy-key-documentation/?utm_content=buffer2c265&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

Berkshire Apprenticeship Hub - <http://berkshire-apprenticeships.co.uk/> (in development)

NHS employer guide - <http://www.nhsemployers.org/case-studies-and-resources/2017/02/apprenticeship-guide>

NAHT advice for schools - <http://www.naht.org.uk/welcome/advice/advice-home/staff-management-and-pay-advice/the-new-apprenticeship-levy-on-schools-and-academies-from-april-2017/>

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4. Bayer (life sciences)
5. BCA (Specialist college)
6. BB Collins (professional services)
7. Boehringer Ingelheim (life sciences)
8. Bracknell and Wokingham College (FE college)
9. Bracknell Forest Council (local authority)
10. BSRIA (engineering)
11. Centrica (utilities)
12. Cisco (digital)
13. CGI (digital)
14. Claire's Court School (Independent school)
15. Costain (construction)
16. EY (professional services)
17. GSK (life sciences)
18. Hall Hunter (horticulture)
19. Health Education England (health)
20. Mars (manufacturing)
21. McFT (maintenance)
22. Microsoft (digital)
23. Newbury College (FE college)
24. Pitmans (law)
25. Reading Borough Council (local authority)
26. Romans (property)
27. Royal Berkshire Fire and Rescue Service (public services)
28. Royal Borough of Windsor and Maidenhead (local authority)
29. Segro (property)
30. Stryker (life sciences)
31. West Berkshire Council (local authority)
32. Wokingham Borough Council (local authority)
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