



all party parliamentary group on apprenticeships

APPG on Apprenticeships

The Apprentice Levy, Two Years on

Tuesday 30 April 2019

Minutes

Opening the panel was **Education and Skills Director at BAE systems, Richard Hamer** who spoke enthusiastically about the importance of apprenticeships in training and developing young people into the workforce. He spoke of his own experience at BAE systems, who currently have 2000 apprentices in training, 720 of which were taken on into full-time employment this year. Of these he said that 70% of them were level 3 apprentices. He highlighted that of those who began their apprenticeship in September, 90% of those are on new standards, which are largely in partnership via SEMTA.

He called for an improvement to the levy and described the payment profile as a “*major problem*”, particularly for SMEs and training providers as the costs are up front which means that there is a serious cash flow problem. He highlighted that currently the levy can only be transferred from employer to employer and said that there is a need to enable intermediaries to do this, citing ADS or SEMTA as possible examples.

In regards to areas which he believed that there is room for improvement he argued that funding should be spent on pre-apprenticeship activities as this would allow for greater diversity and improve social mobility. He cited the Prince’s Trust Programmes and Women to Work as two examples where this was being achieved. He stressed that changes should be piloted first and that “*radical changes*” must be avoided. He was critical of the devolution of the levy, including standards and processes to the national governments results, which he said is a problem for employers who want smooth programmes across their UK operations.

Chief Executive, at the Chartered Banker Institute, Simon Thompson spoke next, and highlighted that CBI had a long-standing history of, and support for apprenticeships which they have been running for over a century. He highlighted the problems which he saw with the apprentice levy. Firstly, he stated that the trend towards using “*generic standards*” causes problems to the specific standards of the application process, though he admitted that maintaining standards can be a difficult issue. Speaking from experience he said that when the new Chartered Banking Programme was first launched it took “*another nine months*” to get the standards through the IfA. This, he said led to students being enrolled on, and studying the wrong course for nearly a year.

Another problem with the apprentice levy he said, were that certain areas of industry have a larger take-up of apprentices than others. He pointed to the financial services as an example where this was particularly true. He said that despite the fact that 9% of the Scottish workforce are employed in financial services, only 1200 apprenticeship started

their careers in that industry last year, which represents approximately 4.5% of the national sector total. Finally, he was very critical of the ways in which the funding of the levy was being spent and said that only £600 million of £4bn levy is being used. He argued that 10% of the underspend could get rid of many of the obstacles that are in place for training.

Next to speak was **Euan Blair, CEO of WhiteHat**, whose company provide training for software app developers. He said that the levy must be relevant in the digital economy and asked how could the levy be used to better prepare people for careers that we don't even know exist yet. Furthermore, he said communities for apprentices both online and offline should be created and should extend to the sports and social sector. He thought that the application programmes could be improved by tailoring the content to a higher standard. He also said that there had been a tendency to drop standards to the "*lowest common denominator*", which he said he does not equate to quality. He also said that the funding crises with legacy apprentices was not being considered and that this in turn was leading to "*serious overspend*" in some areas.

Mark Heholt, Head of Policy for ScreenSkills was next to speak. He called for a need for the apprentice levy to focus on the creative industries and to look beyond London and the South East, pointing to the North East the quickest growing region for the creative sector. He emphasised how the UK and London in particular attracts labour intensive productions, and cited Game of Thrones as an example, which depend on the quality of the crew and the supply of technician skills. He said the lack of diversity was a "serious issue" in the creative industries and noted that 90% are from the top 10% of the socio-economic scale. He said that apprenticeships can therefore be very useful in attracting those from lower socio-economic backgrounds into the creative industries.

Chair of the APPG for apprenticeships, Catherine Mckinell asked the panel if they could pick just one priority for change what would that be. Mark Heholt responded that his top priority for change would be to ensure that apprentice training agencies can develop the skills of freelancers. **Euan Blair** criticised the use of levels to determine the ability of apprentices and said that his number one priority would be abolish levels as a means of determining ability as he said they are "*meaningless*" to employers. **Simon Thompson** said that the quality of apprenticeships must be prioritised in favour of apprenticeships which founds on "*compliance at the lowest cost*". Finally, **Richard Hamer** said flexibility and trust must be provided to employers.

Chair of the APPG for apprenticeships, Catherine Mckinell closed the meeting, and thanked the panel for explaining why the apprentice levy is so important, and what can be done to already improve delivering high quality apprenticeships across the UK.