

THE 'FALSEHOODS AND FAILURES' OF AL

History tells us the government's apprenticeship levy will never deliver, according to **Ian Anfield**, managing director at Hudson Contract.

The Apprenticeship Levy (AL) was introduced in April 2017 for all UK employers whose PAYE wage bill tops £3m/year. For firms in that bracket, HMRC add 0.5% to PAYE to raise funds to pay for new apprenticeships. It raised £1.39bn in the first 12 months, but apprentice numbers have plummeted. For construction firms, the AL is a double whammy as they already pay 0.35% of PAYE and 1.25% of net CIS to the Construction Industry Training Board's (CITB) levy.

The government said that control of apprenticeship funding would be given to employers through the Digital Apprenticeship Service. The idea being that each employer could use funds to pay apprenticeship training fees, all very laudable.

At the last general election, the Conservatives pledged to add an additional three million apprenticeship starts in England by 2020, so this matter has become deeply political.

It was said that, 'Employers who are committed to training will be able to get back more than they put in by training sufficient numbers of apprentices'. Clearly this is not the case and given the design, could never have been so.

There are two big falsehoods surrounding the AL. Firstly, employers will never get back a penny paid out under the Apprenticeship Levy, that's just not how it works. And secondly, employers are not at the centre of things – the levy was imposed, where and when digital vouchers can be spent is imposed, and when employers and industry disagree with the government about the content or level of an apprenticeship, the government's view prevails every time.

The result is that employers are already confused and disengaged. Most just pay the new tax and are used to the idea that they won't get anything back. The latest statistics from the Department for Education show that the problems have sent apprenticeship starts into freefall.

In the 12 months to June 2018, a total of 341,700 new apprenticeships were reported which, compared to 472,500 the previous year, is a staggering reduction of 28%.

Whilst the government raked in £1.39bn of levy in the first 12 months, employers have only managed to spend a theoretical £108m through digital vouchers. If the money is not spent within 24 months, it disappears into the Treasury's coffers.

In response to criticism, Chancellor Philip Hammond pledged greater flexibility for firms to decide how the levy is spent. From next April, firms will be allowed to transfer up to 25% of their levy payments to their supply chain.

Waste of time

That might sound like a good thing, but it's a complete waste of time which does nothing to solve AL's problems. The money still does not return to the employers or their suppliers, so suppliers won't want it passed to them as there is no benefit.

The reality is that AL is just a tax with no benefit to training, it shifts cost from government to business, which some may say isn't a bad thing, but it won't deliver three million apprentices.

It's no surprise that AL is failing, all major employer groups said the motivation was good but the AL system wouldn't work. The truly disappointing thing is that we have been through all of this before. In 1962 the government published a white paper, 'Industrial Training: Government Proposals', which looked at training and skills across all industries.

The problems with training highlighted back then were the same as they are today. The result of the white paper was just as big as AL - The Industrial Training Act 1964.

Under the act, 30 or so Industrial Training Boards (ITBs) were established across industries such as construction; food, drink and tobacco;



footwear, leather and skin wear; engineering; and iron and steel. Many others were considered but escaped, including insurance, fishing and forestry. Each ITB took a levy and paid out grants for training. None solved the problem and after much tweaking, most were scrapped in the 1980s.

Construction survived the cull, but most say it's been ineffective and a waste of money. The fact that the same problems identified 50 years ago remain today, and are as acute if not worse in construction, is a clear indication that the CITB levy hasn't worked.

The government's only hope for AL is that would-be graduates take up higher level apprenticeships to avoid student loans and tuition fee debt. It won't help the construction skills shortage, but if three million university students are eventually rebranded as apprentices, the government will claim a huge success.

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