

The Apprenticeship Levy: The impact so far

The Apprenticeship Levy came into force on 6th April 2017. After its first eight months in action, Jim Clarke, Chief Executive of the Key Group, considers the effects it's had on the country so far.

According to our research, just over half of the c.20,000 companies who are liable for the 0.5% Apprenticeship Levy are either not aware it has arrived or have yet to decide what to do with it.

So far, there are no breakdowns with regards to Levy usage across different sectors. Instead, it is determined by how much the employer has to contribute. For example, if a company has an annual commercial training budget of £100k and they find they are paying in another £100k for the Apprenticeship Levy then they seek to change their normal commercial training into Apprenticeship training therefore still upskilling their staff.



Some public sector local authorities are waiting for up to a year to see how much they have accumulated in their Levy Digital Account before working out distribution to satisfy demand from their schools, for example, for Teaching Assistants (Supporting Teaching and Learning in Schools L2 and 3 Apprenticeships). They have two years to spend it but must achieve Government Targets which state that 2.3% of their workforce be in an Apprenticeship. Other companies have decided they will treat it simply as a tax and will not spend it.

Many companies appear not to be satisfying the Government's objective and are not taking on more unemployed young people. Instead, they are concentrating on upskilling their existing staff. Various industries are signing their managers up to Team Leader/Supervisor L3 or Operations/Department Manager L5 Apprenticeships in huge numbers. Many are upskilling their staff on Customer Service L2 Apprenticeships as all companies need good customer service. Again, these are huge numbers per employer.

The Recruitment Industry

Some recruitment companies are only just realising that their temps on PAYE also contribute to the £3m annual payroll threshold. Others have been waiting for the New Apprenticeship Standards to arrive (coming shortly) for Recruitment Resourcer L2 and Recruitment Consultant L3. This will then open more doors for recruiting 16-19 year olds into the industry in addition to existing staff. In the meantime, demand continues for industry entry via customer service for aspiring recruiters and

business admin to help with compliance in addition to signing up existing staff on the team leading and management apprenticeships already highlighted.

It is somewhat unfair that the recruitment industry has to contribute 0.5% of all perm/temp payroll over £3m per annum as not all will be able to pass on to their clients in a competitive market. However, it is happening.

An agency with 50 perm staff + several hundred temp PAYE staff out with their clients will have a payroll of:

c.£2m perm staff +

c. £20m temp staff.

= £22m less £3m threshold = £19m x 0.5% = £95k per annum paid into their levy account (+ Government tops up with another 10%) but can't use efficiently on their temp staff as apprenticeships are one year duration minimum.

So, an Apprenticeship Levy contribution in excess of £200k over two years gets a Customer Service Apprenticeship qualification for all 50 staff, for example, or any Apprentice combination of Recruitment Resourcer, Recruitment Consultant, Business Admin, Customer Service, Team Leader and Manager etc.

So far, we have not seen any caution towards using the levy due to the Brexit vote and General Election result. This is primarily because if companies don't spend the money within two years, they don't get the benefit – 'spend it or lose it!'

Long term, we see the annual contribution continuing but, with some employer revolt, the funds could eventually be allowed to be used for both apprenticeships and general staff training/upskilling.

Contact Julie Rowe on julie.rowe@keytraining.co.uk or call 01344 830100 for any further information on the Apprentice Levy and making it work for your business. Visit www.keytraining.co.uk for Apprenticeship Levy detail.