The manufacturers' organisation

# Lifting the lid on the Levy: Making the Apprenticeship Levy work for industry

**Overview:**

*The new Apprenticeship Levy is about to 'go live' this April, but EEF's latest report warns that it is still being viewed by many manufacturers as a tax on business, with many more firms potentially falling into scope than previously expected. And, while the manufacturing sector has warmed to some of the Levy's perceived benefits, still over a third of manufacturers (34%) claim to see no benefits to the scheme at all.*

**Key statistics:**

- Warming up: a quarter of manufacturers (26%) think the Levy will increase the quality of apprenticeships – a quarter (26%) also think it could attract more young people into apprenticeships
- Driving seat: a quarter of companies (26%) say the Levy will increase the responsiveness of providers to deliver relevant training – three in ten (29%) say they will be better able to buy the training their business really needs
- Key concerns: three quarters of firms (75%) worry they won't get back what they put in – others are concerned about cost (61%), timescale for implementation (50%) and uncertainty about future rule and rate changes (44%)

**Key findings:**

***Learning about the Levy***

- Because of the rules around connected companies, firms with fewer than 50 employees are in scope of the Levy.
- Many manufacturers who have employees that live in Wales, Scotland and/or Northern Ireland will not get back what they put into the Levy because the Levy is a UK-wide tax applying to their UK-wide pay bill but what they get in return to spend on training only applies to the English fraction of their pay bill.

***Ready, Steady, Levy: How prepared are manufacturers for the Levy?***

- While over half (56%) of manufacturers have calculated their Levy liability, only 36% have determined the cost impact on their business
- Where companies are connected less than a third (32%) have decided on how they will split their single allowance and even less (21%) have decided whether or not they will pool their digital funds together.
- While only a handful of companies (13%) have revised their apprentice recruitment and budget plans, almost half are now in the process of doing so.

***Lifting the Levy load***

- Despite the Levy being a considerable sum for many manufacturers, over a third (34%) are unsure how they will cover the cost of this new tax.
- Of concern, 34% say the Levy will come off their current apprenticeship budget and a third say from their training budgets.
- Manufacturers will positively respond to the Levy by increasing engineering apprenticeship numbers (46%) and increasing apprentices in other parts of the business (35%)

- However most (47%) will look to turn existing training into an apprenticeship.
- Unsurprisingly then, 52% of manufacturers want support in turning existing training into an apprenticeship and 56% want more information on available frameworks and standards.

***Taxing times***

- There are some silver linings to the Levy – a quarter of manufacturers think the Levy could attract more young people into apprenticeships and three in ten think it gives them an opportunity to increase apprenticeships in their business/
- A quarter think the Levy will increase the responsiveness of providers and three in ten think they now have greater purchasing power.
- Despite this, 34% see no benefits to the Apprenticeship Levy.
- The major challenge for business is getting back what they put into the Levy, cited by 75% of employers.
- Other major challenges include cost impact on the business (61%) time to prepare and uncertainty on further changes to the funding bands and rates in the future.

**Key recommendations:**

1) The Government should commission an independent, employer-led review of the implementation of the Levy and report by the end of 2018.
2) The Government should amend the rules around connected companies so each company receives one allowance.
3) The Government should empower the new Institute for Apprenticeships to decide on key issues such as the definition of "materially different" for the purposes of using funds for training at a lower or equivalent level.
4) The Government should review the current funding bands to ensure that the funding bands are high enough to cover the real cost of training, especially in considering Degree Apprenticeships in industries such as manufacturing.
5) All employer route panels that sit under the Institute for Apprenticeships and Technical Education should have a quota for SME representation
6) The amount to which a Levy paying employer can transfer unused digital funds should be increased from 10% to 50%
7) The Government should confirm the funding rules and rates for the course of the Parliament.
8) The devolved administrations should publicly state how they will spend their proportion of the Levy, with manufacturers wanting a commitment for spend to be ring-fenced for skills and training in their sector.
9) Employers should retain the flexibility to pool their digital funds together when part of a group.

### A link to the report can be found here.

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