

## Only 4% of employers are spending their full apprenticeship levy funding

2 years ago



New research from City & Guilds, the skills development organisation, and workplace learning advocates The 5% Club finds that the government's apprenticeship levy is currently not working as many employers perceive it should. It shows that levy-paying employers are using an average of 55.5% of available funds and a mere 4% have used their full levy funding in the last five years.

Despite the research finding that only 15% of businesses are always able to recruit the skilled people they need, employers are facing barriers to accessing levy funds which could help to fill skills shortages. According to City & Guilds' research, carried out amongst 1000 HR leaders at levy-paying businesses across the UK, of those who haven't used all of their levy funds, 94% report facing at least one barrier to accessing it.

Almost one in five (18%) state that access involves too much bureaucracy or administration, 17% state a lack of time to invest, and 19% say that they cannot commit to the length of time that an apprenticeship takes to complete.

Rather than scrapping the levy, four in ten businesses (43%) say that they would prefer to shift towards a 50:50 model, whereby half of the levy is ring fenced for apprenticeships and the other half is more flexible – allowing businesses to identify the best way for them to meet their skills needs.

Kirstie Donnelly, CEO of City & Guilds, said: "Yet again the employer voice is coming through loud and clear – apprenticeships are a valuable recruitment and retention tool but the current system is just not working for them, leading to large sums of funding intended for the levy instead going back to the Treasury because they cannot be used, all this at a time of such acute skills gaps and shortages.

"This research reinforces previous calls we and the wider skills sector have made for more flexibility to the

current system. As a fundamental pillar of our education and skills development system, apprenticeships must stay front of mind and employers should also have more control to respond to workforce and organisational needs if they'd prefer to spend the allocated funding – such as moving more along the supply chain or investing in broader skills development. If we are serious about levelling up – levying up is a key way towards that”

## Recommendations:

In its new report, [Levying Up](#), City & Guilds has set out key recommendations for reforming the apprenticeship levy, based on feedback from employers and business leaders.

### Introduce a broader skills levy:

- More flexibility on how employers can spend levy funding. For example, our research found that HR leaders do not want to see the apprenticeship levy scrapped altogether. Our research found that the majority (43%) would prefer to shift towards a 50:50 model, whereby half of the levy is ring fenced for apprenticeships and the other half is more flexible – allowing businesses to identify the best way for them to meet their skills needs.

### Cancel plans to reduce level 2 apprenticeships:

- Reducing the number of level 2 apprenticeships excludes a number of young people and people from less advantaged backgrounds from workplace training and opportunities to upskill.
- As many of these people are not ready for level 3 apprenticeships and not all companies offer level 3 roles as their entry point, if level 2 apprenticeships were to be reduced, opportunities for these groups would be further restricted.

### Modular learning options:

- Employers would benefit from standardised, levy-funded bitesize learning. An apprenticeship requires a significant commitment of time, both for the employer and apprentice, which is not always practical.
- With a modular approach, leaders could pick and choose more compact qualifications and training to meet skills needs, and employees could upskill more easily throughout their careers.

### Use unspent levy to address labour market shortages:

- Given the UK's current labour market shortages, the Department for Education and HM Treasury could work together to ensure that unspent apprenticeship levy funding was spent on programmes designed to reduce skills shortages in the sectors that are most affected.
- This might include additional incentive payments to galvanise employer engagement or additional support with travel or equipment for hard-to-reach learners.

Warren Page, Apprentice Manager at Xtrac, said: “Such a huge apprenticeship levy underspend is a pity for businesses who are keen to offer high-quality training to staff – existing or prospective, but that feel the current system doesn't work well for them. The introduction of a broader skills levy, instead of the existing apprenticeship levy, would allow businesses like ours to offer different types of training that focus on

career progression, rather than just ad hoc training courses that don't serve as much development purpose.

"This would likely significantly reduce the underspend levels we are currently seeing as employers can be more flexible with their available funds. As long as training is regulated and assessed properly, a broader skills levy would be a better fit for most."

Anthony Impey, Chair of the Industry Skills Board & CEO of Be the Business said: "This research chimes with what I hear from business leaders every day, especially those that run smaller businesses. Employers like apprenticeships because they are a great way to recruit and train talented people. But the current system falls short of what many businesses need in these tough economic conditions. First and foremost, there is a pressing need to make the system easier to navigate to enable more employers, large and small, to turn their enthusiasm for apprenticeships into high quality employment opportunities."

Mark Cameron, CEO of the 5% Club, added: "The 5% Club is delighted to be working with City & Guilds and supporting this important research. Delivering a world-class skills system with high-quality apprenticeships at its heart is a key part of our purpose, and this report provides further evidence on where the system works, where it is challenged and those areas that should be protected and improved. There are many voices and opinions being offered in the arena, and we believe this report is additive and will contribute positively to the debate, especially as the 'employer voice' is front and centre in its approach."

## About the research

Research was conducted by Censuswide, on behalf of City & Guilds. Fieldwork was undertaken between 09.11.2022-21.11.2022 amongst a sample of 1000 18+ HR decision makers who work in companies that pay apprenticeship levy.