

# COVID19 – Apprenticeship Levy

## Introduction

This report contains current results from two IMI COVID-19 surveys which were designed to explore the support in the sector for an IMI campaign to lobby the DfE to extend the window of the levy withdrawal process. The idea being that this will support the sector in being able to keep apprentices engaged and lessen any potential shortages in years to come.

The first survey was specifically targeted at the largest employers in the sector and the focus was to gain detailed quality input opposed to large scale responses. The second survey was open to anyone in the sector but in particular aimed to capture feedback from training providers. Both surveys remain open, for this report, results were downloaded on the 9th June 2020.

## Summary of findings

### Pipeline

- Plans post the start of Covid-19 see even more dramatic falls with predicted recruitment figures falling by 59% from the 2020 original plans and a fall of 64% compared to 2019 levels. The planned numbers are now only just over a third of 2019 levels.
- Prior to Covid-19 employers were reporting a drop in the number apprentices they were planning to recruit, this is especially the case for large employers. Total apprentice numbers falling by 11%. Three large employers reported that their figures were dropping by more than 50%.
- 58% of employers who had employed at least 1 apprentice in 2019 are now planning to not engage any apprentices due to Covid-19. 21% are keeping the levels the same, 15% are decreasing their numbers and none are considering increasing their numbers.
- 58% of training providers are predicting a lower intake for 2020/21 due to Covid-19.
- Training providers are predicting a fall of an average 36% in their intake for 2020/21 compared to 2019/20.

### Levy & Solutions

- There is significant support for placing a temporary stop on the claw-back of levy funds from large employers, with 75% of large employer respondents agreeing that this would improve their prospects of employing apprentices. They support this temporary stop as they outline that for the medium term there is no appetite to add to their headcount while they recover from Covid-19 and a temporary pause will enable them to use levy funding to ensure the constant supply of apprentices in an under skilled sector at a later date.
- Although not as high as employers, 56% of training providers also agreed that a stop on the claw-back of levy funds would improve recruitment and appointment of apprentices.
- Support for placing a temporary stop on the claw-back is not so clear from SME employers. 21% of SME employer respondents agreed that this would improve their prospects of employing apprentices but 58% were unsure. SME employers spoke more about the challenges of employing apprentices at the moment, rather than specifically about the Levy. These comments are mainly highlighting that budgets are very tight at present and

they are expected to find further savings, so training budgets are being affected. They also outlined that adding headcount is not a priority until business has recovered.

- There is no clear preference on how long the temporary stop should be. However the large employers had a preference longer timeframe.
- Suggested additional measures which would help recruitment of apprentices were:
  - Reducing the cost of the qualification.
  - Subsidy/support with apprenticeship salaries. Also using levy funds for this.
  - Extension on frameworks.
  - Campaigns for apprenticeships to show that they are still running and that it is a good idea to take them on.
  - Increased financial support to businesses or incentive payments to encourage more take up.

## Respondents

### Respondent - Type

	No.	%
Large Employer (Automotive)	12	7%
Small and Medium Enterprise	115	65%
Training Provider	45	25%
Other	6	3%
	178	

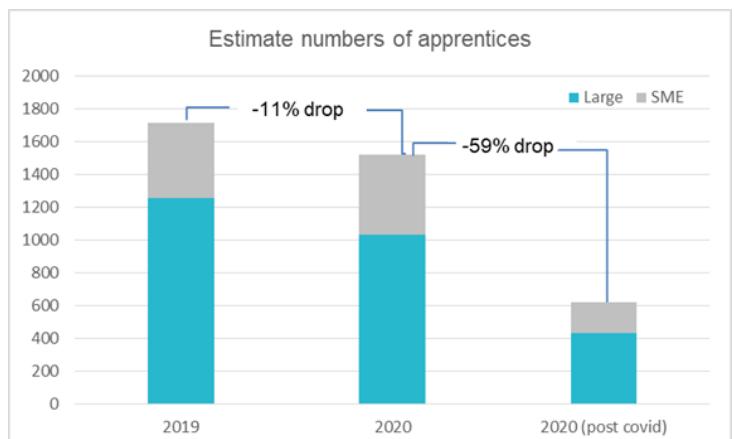
As of the 9<sup>th</sup> June, we received 178 responses across both surveys, 65% of which are from Small and Medium Enterprises (SME) working in the automotive sector. Although responses from large employers is limited, those that have responded are some of the largest employers in the sector engaging in excess of 900 apprentices.

## Apprentices – understanding the pipeline

### Employers

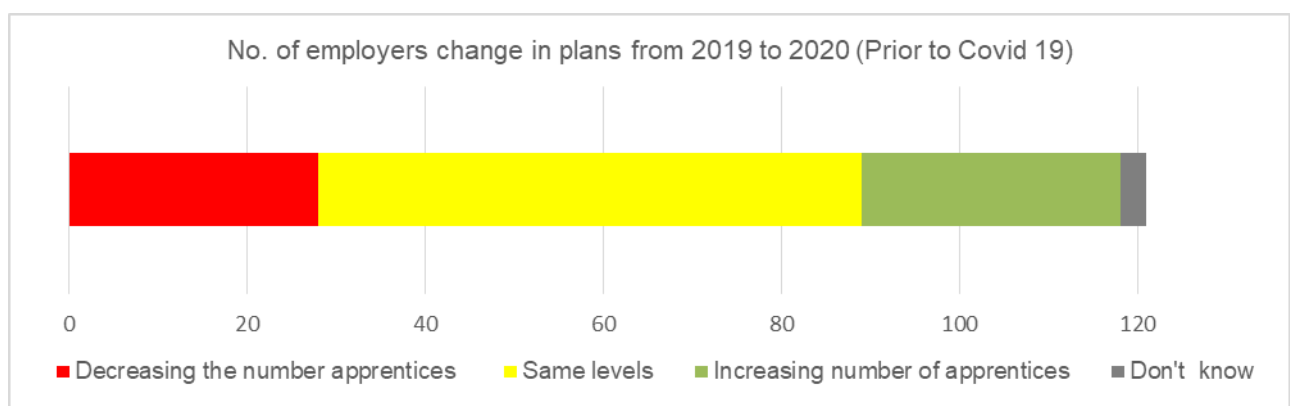
#### How many apprentices did you or are you planning to recruit?

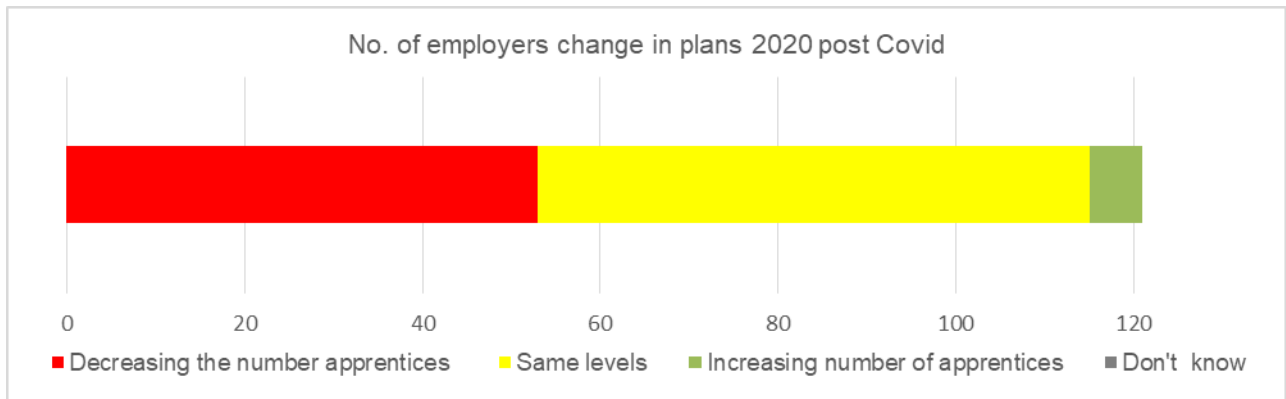
	2019		Original plan for 2020		Plans post Covid-19	
	No.	%	No.	%	No.	%
None	47	35%	36	27%	76	57%
Less than 5	55	41%	61	46%	29	22%
5-10	6	5%	4	3%	0	0%
11-25	4	3%	4	3%	4	3%
26-50	1	1%	4	3%	5	4%
51-100	6	5%	6	5%	0	0%
101-150	1	1%	1	1%	0	0%
151-200	3	2%	1	1%	1	1%
201+	0	0%	0	0%	0	0%
Don't know	10	8%	16	12%	18	14%
	133		133		133	



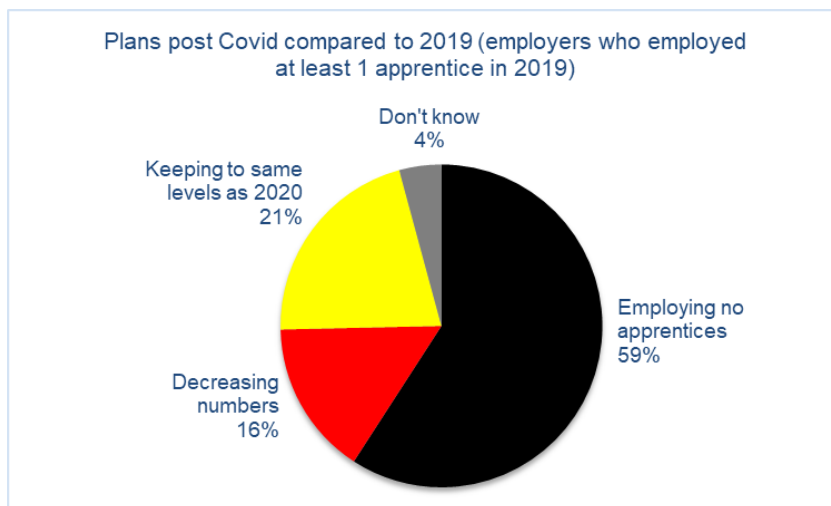
Covid-19 has significantly changed employer's plans for employing apprentices in 2020, a fall of 64% compared to 2019.

- Prior to Covid-19, employers were reporting a drop in the number apprentices they were planning to recruit, this is especially the case for large employers with total apprentice numbers falling by 11%. Three large employers reported that their figures were dropping by more than 50%.
- Plans post the start of Covid-19 see even more dramatic falls with predicted recruitment figures falling by 59% from the 2020 original plans and a fall of 64% compared to 2019 levels. The planned numbers are now only just over a third of 2019 levels.





- 23% of employers were predicting a fall in the number of apprentices they planned to recruit in 2020 prior to Covid-19, with 24% looking to increase their numbers.
- As a result of Covid-19, 44% of employers are decreasing the number of apprentices compared to their post 2020 plans.

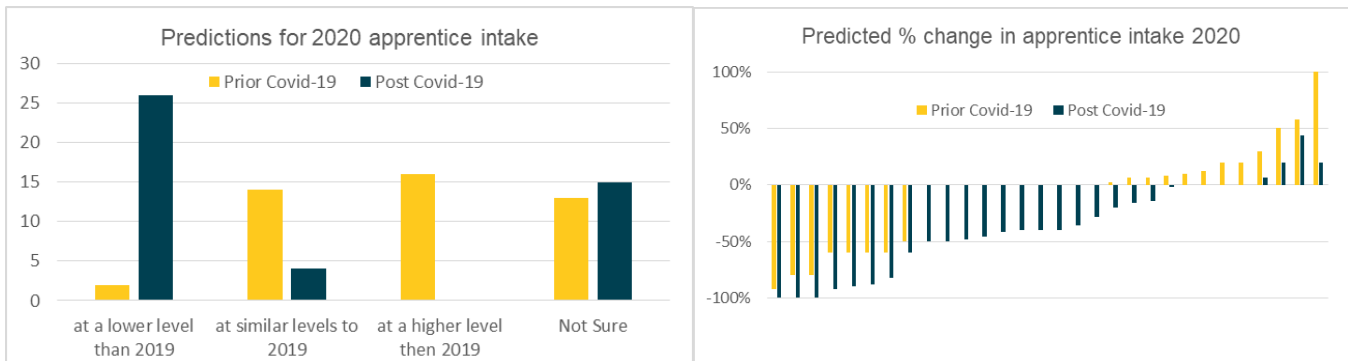


58% of employers who had employed at least 1 apprentice in 2019 are now planning to not engage any apprentices due to Covid-19. Only 21% are keeping the levels the same and none are considering increasing their numbers.

## Training Providers

### Predictions of your intake of apprentices for 2020

	Prior to Covid-19		Post Covid-19	
	No.	%	No.	%
at a lower level than 2019	2	4%	26	58%
at similar levels to 2019	14	31%	4	9%
at a higher level than 2019	16	36%	0	0%
Not Sure	13	29%	15	33%
	45		45	



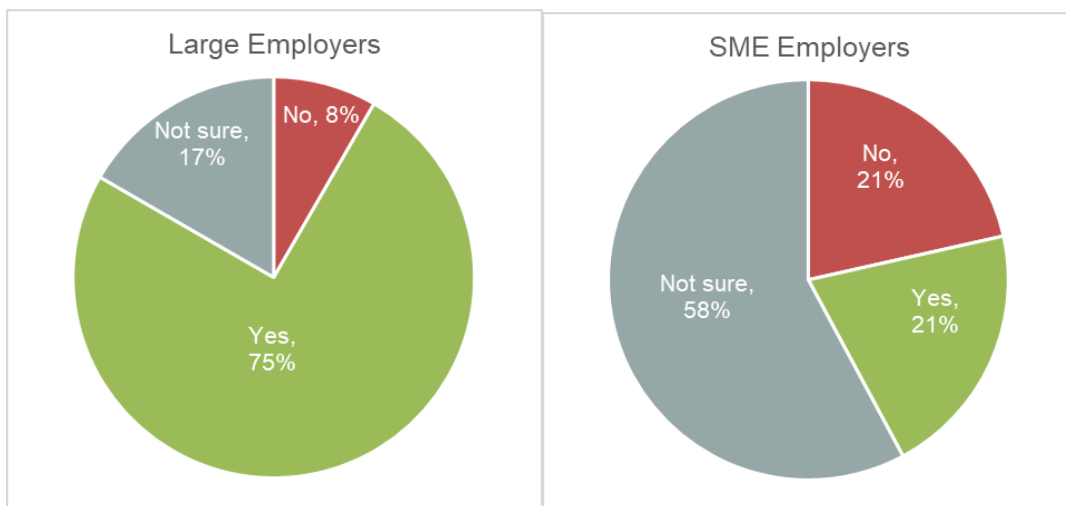
- Prior to Covid-19... 67% of training providers were predicting that their intake of apprentices for 2020 would be higher or at similar levels to their 2019 intake. The average predicted % change was a small drop of 7%.
- Predictions in light of Covid-19... 58% of training providers predicted that their intake will now be lower than 2019, only 9% thinking it will remain the same and none predicting an increase. The average predicted % change is 36% fall.

## Apprentice Levy

### Employers

#### Support for the stop on the levy claw-back

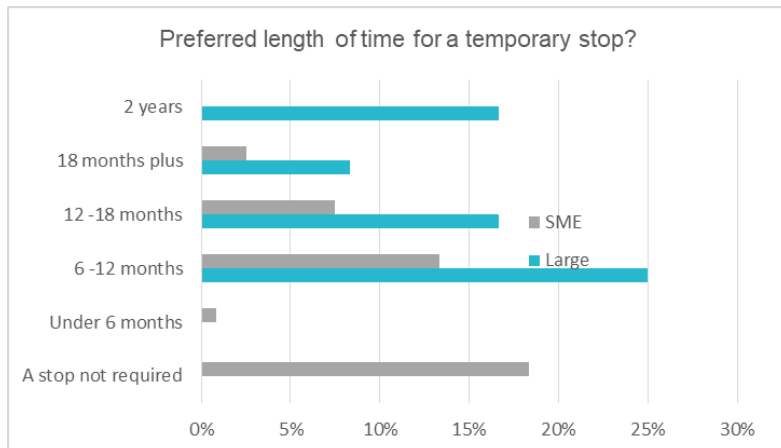
Respondents were asked “If a temporary (6 months to 1 year) stop could be achieved in the claw-back of levy funds, would this improve your prospects of employing apprentices in 2020/21?”.



- Understandably, there are significant differences between large employers (those likely to contribute to the levy fund) and SME employers.
- 75% of large employer respondents agreed that a stop on the claw-back of levy funds would improve their prospects of employing apprentices, compared to 21% of SME employers.
- It is worth noting that although 8% of large employers and 21% of SME employers didn't think that a stop on the claw-back of levy funds would improve their prospects of employing apprentices, this doesn't mean that they would not be supportive of such an action.

### Length of time for a temporary stop

Respondents were asked “What length of time would be most beneficial for a temporary stop?”.



Large employers prefer a longer temporary stop compared to SME employers. Although there is no clear favoured timescale for either employer type.

Key comments in support of a stop to the levy claw-back outline that for the medium term there is no appetite to add to their headcount while they recover from Covid-19 and a temporary pause will enable them to use levy funding to ensure the constant supply of apprentices in an under skilled sector.

SME employers spoke more about the challenges at the moment rather than specifically about the Levy. These comments are mainly highlighting that budgets are very tight at present and they are expected to find further savings, so training budgets are being effected. They also outlined that building headcount is not a priority until business has recovered.

Respondents were asked “Are there any other measures that would improve your prospects of employing apprentices in 2020/21?”. Here are some key highlights, please see appendix for full responses:

- *A reduction in the cost of the qualification.*
- *Online invigilation for assessments will be vital to be able to deliver content virtually going forwards.*
- *Subsidy/support with their salaries.*
- *Simplified scheme for SMEs.*
- *Better promotion of apprenticeships and sector to improve the ‘quality’ of applicants.*

### Additional large employer analysis

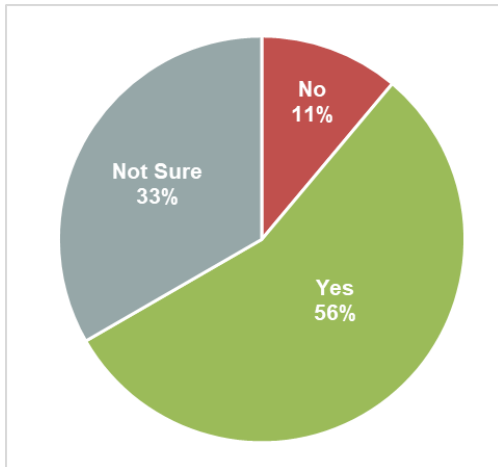
Additional questions were asked to the large employers of which the results are:

- 58% have accessed their levy fund for apprenticeship training of which they have invested between £300k to £3.5 million. A total of £5.5million.
- 42% envisage losing levy funds in the future, between the amount of £50k-£800k.

## Training Providers

### Support for the stop on the levy claw-back

Respondents were asked “If a temporary (6 months to 1 year) stop could be achieved in the claw-back of levy funds, do you think this would help to improve recruitment and appointment of apprentices for 2020/21?”.



- 56% of training provider respondents agreed that a stop on the claw-back of levy funds would improve recruitment and appointment of apprentices for 2020/21.
- 33% were not sure, but some did outline that they did appreciate that this would be extremely beneficial for large employers.

Respondents were asked to explain their selection a little further. Here are some key highlights, please see appendix for all responses:

Key comments in support of a stop to the levy claw-back were similar to the employers in that they believe businesses will be focused on protecting/surviving, rather than recruiting additional staff during 2020. Being able to access their levy funding will be vital once the business returns to normal in 2021.

However training providers also noted:

- Apprenticeship applications have been lower than usual since standards have been introduced.
- That many apprentices are being laid off and many current apprentices are furloughed.

Respondents were asked “Are there any other measures that would help to support apprenticeship employment in 2020/21?”.

Here are some key highlights, please see appendix for all responses:

- Extension on frameworks.
- Campaigns for apprenticeships to show that they are still running and that it is a good idea to take them on.
- Increased financial support to businesses or incentive payments to encourage more take up.

## Appendix

All responses from **employers** regarding preferred length of time for a temporary pause on the claw-back of the levy:

### Large Employers

- *Ideally, this would be 2 years as we have invested through 2020 into our levy fund and now won't be able to recruit up to the level we would have this year without covid. So, in two years' time we would then lose this as we would not have been able to spend it all. Having it extended enables us to take advantage of our fund with future apprentices and potentially to hire additional apprentices in 2021.*
- *Our apprentices tend to be recruited on an annual basis so a minimum of 12 months would be useful. After 12 months we may know more about what our recruitment plans will be.*
- *We are paying an additional tax basically for something we have no control over as we can't access the fund directly. In the current climate there is no appetite to increase our headcount.*
- *We need to maximise the usage of Levy funding to ensure the constant supply of Apprentices to our dealer network in the under skilled sector.*
- *We would not want to lose funds as we will be recruiting a lower number of apprentices in order to survive the year from a profitability perspective and keep our cost base down.*
- *Yes, as levy already paid would not go to waste.*

### SME Employers

- *Budgets are very tight in my area of work, we are actively expected to make savings. This will impact my apprenticeship training delivery. I would normal expect to deliver extra training and opportunities to help develop my apprentices by using training providers such as DELPHI and Bosch. Reduced budgets will impact my ability to deliver this.*
- *Due to the uncertainty at the moment, any help with funding is welcome and my guess is we will not see 'normal' trading until November.*
- *It would depend on business recovery.*
- *Not really, other than time to re-start employment and build up the business again - maybe longer required.*
- *There is so much uncertainty of the demand of our services, every little helps.*
- *This would give time for recovery.*
- *Wait to see the Effects of COVID.*
- *We employ so few considering the amount of money we pay into the levy - it would not make a difference.*
- *We had already decided to discontinue our apprentice recruitment prior to coronavirus.*



**Employers'** response to "Are there any other measures that would improve your prospects of employing apprentices in 2020/21?".

### Large Employers

- *A reduction in the cost of the qualification if the above cannot be achieved.*
- *Clarity on the EPA process and costs.*
- *Not at present as no-one knows what the industry will look like in the next few months.*
- *Online invigilation for assessments will be vital to be able to deliver content virtually going forwards.*
- *Subsidy/support with their salaries.*
- *We would like to be able to continue end point assessments as planned. We would prefer apprenticeship providers not to stop learners or only stop them in extreme situations.*

### SME Employers

- *A massive simplification to the bureaucracy of the scheme. It is totally unsuited to small and medium sized SMEs.*
- *Providing motorcycle apprenticeships at local colleges.*
- *An upturn in trade.*
- *Change the entire scheme. Re-introduce level 1, 2 and 3 rewards as previous. Currently apprentices have no intermediate target to work towards and no light at the end of the tunnel. Causing them to lose motivation when they drop behind.*
- *Clearer picture of Gov commitment to apprenticeship schemes and funding to train people (into apprenticeships).*
- *Finding genuine interested applicants.*
- *Grant, local college training them past 2nd year!*
- *Grants.*
- *More subsidies to support wages.*
- *Not really, it depends on how long the recovery takes.*
- *Reduce the Levy to zero as the tax it is. :-)*
- *Schools need to explain to children that you need to be pretty smart to be a successful vehicle technician. The oily rag stigma has long gone we need quality.*
- *Stop having to pay for over 19's.*
- *The re-introduction of the old fashioned City and Guilds apprenticeship course. The current course is just geared for manufacturers and high volume service centres.*
- *There is a huge amount of work that we have lost due to businesses closing during this covid-19 period. Work needs to pick up before any decisions will be made.*

**Training Provider** thoughts on levy:

- *Apprenticeship applications have been lower than usual since standards have been introduced.*
- *As well an extension period for students to complete. Many are furloughed.*
- *Give employer a better chance of using the monies for recruiting apprentices.*
- *It will allow businesses to concentrate on recouping what they may have lost and not look for money to afford an apprentice.*
- *It will take time to catch up on the back log of work, many employers will be concentrating on keeping the business afloat and making money. Unfortunately, training will have to wait until business stabilizes.*
- *It would provide our employers with confidence to recruit and maintain an apprentice at times of recession.*
- *Many apprentices are being laid off.*
- *Most Retailers will be focused on protecting/surviving their business, rather than recruiting additional staff during 2020. Being able to access their levy funding will be vital once the business returns to normal in 2021.*
- *My employers tend to be SME so will not be part of the levy payment, only financed by it.*
- *Small businesses do not know how to use the new system and are put off using it. We have not had time and the chance to go out and support our smaller businesses with this transition due to covid-19. They would benefit from the levy being extended.*
- *The period between now and December is the time when we see the highest recruitment of apprentices. Currently, the majority of our apprentices are furloughed and are at risk of being laid off completely. Business owners are looking to rescue their businesses as well as preparing for the increase in MOT testing during October/November. This means they won't be looking to take on apprentices until later in the academic year or even next year. This will effectively put a skills gap in place as technology will still be increasing.*
- *This would allow companies the chance to recuperate lost business and finance and be able to offer apprenticeship vacancies to support the growth of the company.*

Respondents were asked “Are there any other measures that would improve your prospects of employing apprentices in 2020/21?”. Answers:

- *A higher incentive government offer to employers as well as extending this up to the age of 25 incentive payments.*
- *AELP proposals for post-Covid employment and skills recovery package.*
- *Bring back some kind of NVQ / framework for our less academic students. Motor vehicle standards LV HGV disadvantage some young people. Also, need some kind of level 2 qualification for HGV.*
- *Campaigns for apprenticeships to show that they are still running and that it is a good idea to take them on. Especially now.*
- *Can't think of any at the moment.*
- *Defer ALL EPA's for 12 months.*
- *Encourage work placement schemes to make it worth the employer investing in the work placements especially with T levels coming soon.*
- *Extend the framework as a matter of urgency.*
- *Extending frameworks. I find that the standards are not suitable for all apprentices.*
- *Financial support for garage business to allow them to recruit an apprentice now.*



- *Increase employer incentive payment - extend to those aged over 19.*
- *More funding for recruitment of apprenticeships with incentives for garages taking apprentices on top of the fund already.*
- *More incentive for employers to recruit and keep apprentices.*
- *The level of funding available for technical apprenticeships is too low following the recent reduction. The retailers will be required to top-up funding, this will result in low numbers being recruited. A review of the funding levels is needed.*
- *Transfer of funds from levy employers to smaller employers to help offset some on the training costs. Use available levy funds to support wages etc.*
-