

British Woodworking Federation Response to Apprenticeship Levy Consultation

Introduction

1. The British Woodworking Federation (BWF) is the trade association for the joinery and woodworking industry in the UK, representing over 700 companies manufacturing timber windows, doors, stairs, architectural joinery and associated companies
2. To maintain demand, the woodworking industry needs to recruit 4,260 people each year for the next four
3. BWF Members are highly committed to apprentice model – there is one apprentice for every two BWF members registered with CITB – this is the highest in the specialist trades
4. Joinery and woodworking sector delivers one third of all apprenticeships in construction, according to the latest CITB figures.
5. The woodworking industry – mirroring membership makeup – predominately falls under the scope of CITB and recognise their responsibility to contribute to the cost of industry training and apprenticeships through the CITB's Levy and Grant Scheme. Some of our larger member firms are considered out of scope of CITB as they fall into the manufacturing sector (approx 30% of the industry).
6. This response presents a clear proposition to Ministers to consider a funding model that would:
 - a. Implement the proposed Apprenticeship Levy – but within a model that does not significantly increase the cost of large employers who are also in-scope of CITB.
 - b. Those large employers that are out of scope of CITB, do not support its introduction. But if implemented, they must have a simple and effective way to reclaim their levy by training apprentices.
 - c. Retain and reform the current CITB levy and grant scheme
 - d. Increase the number of high quality apprenticeship in joinery and woodworking – contributing towards the Government's ambition of 3 million apprenticeships by 2020.
 - e. Meet the wider skills needs of the industry
7. Employers considered large under the government's definition for this levy, who are also paying the CITB levy, would not be prepared to pay two levies, and we

anticipate that the introduction of the Government's Apprenticeship Levy as proposed would lead to firms withdrawing consensus support for the existing system, which would have a devastating impact on training in the sector.

Current CITB Levy System

8. The CITB Levy system received £160m each year from just over 60,000 employers, with £130 million returned to firms by way of grants to support a wide range of training. Over £42 million of that figure was paid to employers to support 18,500 apprenticeships last year, of which the joinery and woodworking sector represents one third. Of the remainder £87 million was paid to employers to support other qualifications and wider up-skilling, and £30 million was used for industry-wide activities on recruitment, meeting short term needs and other industry projects. This "non-apprentice" training helps to maintain standards and captures other routes into the market enabling more rapid scaling up of operations in a fluctuating market.
9. It is a fact that Micro and SME members, with the help of the CITB grant scheme, do more apprenticeship training than larger members who are out of scope. This mechanism is vital to the industry's ability to recruit, train and retain a skilled workforce. In this scenario the financial support is critical, but the wider infrastructure for apprenticeship delivery provided through the CITB managing agency and the work done in developing apprenticeship frameworks is just as important.

Should individual employers currently in-scope to CITB be left to source, fund, manage and deliver their own training and apprenticeships, it has the potential to completely undermine decades of good work in our sector.

The joinery industry has lead the way through the trailblazer process and the redevelopment of core qualifications in recent years to ensure real market relevance. We remain concerned that cost of running our schemes (e.g. capital cost of equipment) for colleges can divert them away to simpler, cheaper courses, but the industry has been very engaged in developing the content and we are working with partners such as the National Association of Shopfitters to support colleges in this.

Apprenticeships in the Wider Construction Industry

10. Skills Funding Agency data shows there were 15,500 starts for 'construction skills' apprenticeships in 2013-14. CITB provides different figures for apprenticeship supported by grants. There is not a clear figure for the whole of the construction industry.

11. As stated above, the majority of apprenticeships in the sector are delivered by SMEs as part of the contracting supply chain (of which joinery and woodworking are part). CITB data shows that the majority of apprentices they support (67%) are employed by small firms and almost half (46%) by firms with less than 10 employees.
12. The £42 million of CITB apprenticeship grants are paid directly to employers. This is essential for SMEs who would otherwise struggle with the time and costs involved in employing and training an apprentice. SMEs with less than 250 employees received £36 million of the £42 million paid in apprenticeship grants.

Proposed Apprenticeship Levy

13. BWF supports Build UK and the CBI response to the proposals and believe any new Apprenticeship Levy should meet the following requirements (while reiterating that our out of scope of CITB members do not support the levy:
 - a. **Employers must have control over how levy funds are spent**
An employer-led Levy Board – independent of Government – should be established to manage and deliver the new system; with a role for employer-led sectoral bodies to ensure levy funds support sector needs.
 - b. **The levy must drive quality**
The levy must support high quality apprenticeships that deliver the technical skills and knowledge needed in our sector. Funding remedial training for English and maths should remain Government's responsibility.
 - c. **The levy must be proportionate**
The levy rate should be set at a level that realistically allows employers to recover funding to support quality apprenticeships. There is a very real concern that apprenticeship quality will be undermined by firms re-branding existing training as apprenticeships.
 - d. **The system must be simple for employers to understand**
There is insufficient detail on the proposed levy and voucher system at present; however, the system must be easy and cost effective for employers to engage with.
14. In addition, with the current CITB Levy Order running until March 2018, the timetable for introducing the Apprenticeship levy must take into account any requirement to make up-front cash contributions to providers for apprenticeships. It is essential that government continues to support SMEs if they wish to achieve their 3 million target by 2020.

Support for the Build UK and Wider Construction Industry Proposal

15. The BWF supports the proposal put forward in the Build UK and the wider construction industry submission, for a hybrid model for large employers within the

construction industry. This model sees these employers paying the government levy which is then channelled back through CITB and ring-fenced for apprenticeships training provision. These employers would continue to pay the remaining CITB levy (i.e. for Labour Only Sub-Contractors at 1.5%) which is distributed in line with the CITB grant scheme rules. SMEs under the government threshold would pay the CITB levy as usual, in accordance with the Levy Order.

16. We also support the idea that CITB and the Levy/Grant system needs radical reform to ensure that the levy functions to support the skills needs of the sector, including achieving more apprenticeships.

Answers to the specific questions asked in this consultation now follow

Apprenticeships Levy Consultation response form

The department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 2 October 2015.

You can also reply to this consultation online at:

<https://bisgovuk.citizenspace.com/ve/apprenticeshipslevy>

Please return completed forms to:

apprenticeshipslevyconsultation@bis.gsi.gov.uk

or:

Apprenticeships Levy Consultation
Department for Business, Innovation and Skills
Spur 2 Level 2
1 Victoria Street
London
SW1H 0ET

What is your name?

Dave Campbell

What is your e-mail address?

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What is your job title?

Head of Membership Services & Training

When responding please state whether you are responding as an individual or representing the views of an organisation.

I am responding as an individual ☐

I am responding on behalf of an organisation ☒

If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.

What is the name of your organisation?

British Woodworking Federation

| | |
|----------|---|
| X | Business representative organisation/trade body |
| | Central government |
| | Charity or social enterprise |
| | Individual |
| | Employer (over 250 staff) |
| | Employer (50 to 250 staff) |
| | Employer (10 to 49 staff) |
| | Employer (up to 9 staff) |
| | Legal representative |
| | Local Government |
| | Trade union or staff association |
| | Further Education college |
| | Private training provider |
| | University |
| | Professional body |
| | Awarding organisation |
| | Other (please describe) |

Where are you based?

England ☐

Wales ☐

Scotland ☐

Northern Ireland ☐

UK wide ☒

If you are responding as an employer, which sector of the economy are you in?

| | |
|--|------------------------------------|
| | Agriculture, forestry & fishing |
| | Energy & water |
| | Manufacturing |
| | Construction |
| | Distribution, hotels & restaurants |
| | Transport & communication |
| | Banking, finance & insurance etc |
| | Public admin, education & health |
| | Other services |

Consultation questions

Paying the levy

1. **Should a proportion of the apprenticeship funding raised from larger companies be used to support apprenticeship training by smaller companies that have not paid the levy?**

☐ Yes ☐ No

Comments:

If Apprenticeship Levy funds in construction are channelled through CITB, then the same system should apply as with CITB levy with funding available to in-scope employers.

If the Apprenticeship Levy contributions of large employers were paid to HM Treasury and distributed through the Government voucher system, then funds generated by larger firms should be reserved for use by those firms. Under the system, the large firms should have the option of using some of their vouchers to support training their supply chains.

If the CITB levy system is no longer in existence, there will be limited fund available to SMEs, and a substantial impact on the number of apprenticeship delivered by the sector.

Joinery and woodworking sector delivers one third of all apprenticeships in construction, according to the latest CITB figures, and the vast majority of these will be in Micro and SME companies. Grants available through CITB to support taking on an apprentice would cease if CITB is disbanded and could therefore lead to a catastrophic collapse in joinery and woodworking apprenticeship numbers (which are currently on an upward trend).

2. Do you have any comments on the proposed mechanism for collecting the levy via PAYE?

☒ Yes ☐ No

Comments:

Calculating any levy purely on employees is overly simplistic. The modern workforce incorporates sub-contractors, freelancers and sole traders. Some companies make extensive use of sub-contracted labour to deliver projects. This, often fragmented workforce, still requires training to provide the necessary skills, but does not always fall in the traditional employment model. The joinery and woodworking sector specifically tends to employ staff directly, therefore they will be unfairly hit by a calculation in this manner. In the wider context adding additional levies based exclusively on employment (already taxed via PAYE and NICS contributions) may cause companies to revisit the employee balance in their workforce.

3. In your opinion, how should the size of firm paying the levy be calculated?

Comments:

Simplicity of declaration should be key. The current CITB model based on CIS and PAYE is not too onerous.

Turnover may provide a simple and therefore tempting metric, however, would need to be scaled relative to the sector in which the business operates.

The 'cliff-edge' approach – so the thresholds at which a company starts paying a Levy – should look at a sliding scale (similar to the Small Business Levy reduction used by CITB).

4. Should employers be able to spend their apprenticeship funding on training for apprentices that are not their employees?

☒ **Yes** ☐ **No**

Comments:

As stated in the response to question 1, If the Apprenticeship Levy contributions of large employers were paid to HM Treasury and distributed through the Government voucher system, large firms should have the option of using some of their vouchers to support training their supply chains, i.e. from other companies where the apprentices would not be their employees.

Employers operating across the UK

5. How should the England operations of employers operating across the UK be identified?

Comments:

This is challenging in the joinery industry, whilst our members operations tend to be predominantly workshop based (so at a fixed location), products produced are widely installed by the producing company. Companies may well work all over the UK to supply work which includes installation on a site in a different nation to the one a wood product was manufactured.

With a voucher system for England, but no decision yet for other parts of the United Kingdom it is of real concern for BWF Members operating across the UK that competition could be distorted and this lack of joined up policy will lead to confusion in managing how levy funds are spent.

Allowing employers to get back more than they put in

6. How long should employers have to use their levy funding before it expires?

☐ 1 year ☐ 2 years ☒ Other (please state in comments below)

Comments:

Under a system where the Apprenticeship levy contributions of large joinery employers were distributed by government, these firms should have the full opportunity to use their vouchers. As joinery is linked intrinsically to construction, it is a cyclical industry with training levels often related to workloads and therefore an annual limit would lead to stop-go training investment. We would suggest that firms could retain vouchers for three years to allow for better planning of training investment, and to enable companies to have conversations with training providers about their medium term training needs.

7. Do you have any other view on how this part of the system should work?

Comments:

No

8. Do you agree that there should be a limit on the amount that individual employer's voucher accounts can be topped up?

☐ Yes ☐ No

Comments:

Under a system where the Apprenticeship Levy contributions of large joinery and woodworking companies were distributed by government, firms should be able to claim top-ups through the voucher system for high quality and sector relevant apprenticeship training. Whilst there will need to be a system for managing the re-allocation of surplus voucher funds, there should not be an arbitrary cap on the number of apprentices an employer can train. As previously stated, the joinery and woodworking industry accounts for a third of all construction industry apprenticeships and support the wider industry by 'over-training' (e.g. qualified joiners changing paths using their skills and knowledge to focus on site work) and this practice should be allowed to continue.

In allocating surplus funds, consideration should also be given to the relative costs of delivering apprenticeships across sectors – with preference potentially being given to high cost industries. The net cost to employers of training an apprentice (internal plus external costs, net of productive benefits) are estimated to be £22,043 in construction over three years, compared to £2,305 (*Source: The net benefit to employer investment in apprenticeship training, Warwick Institute for Employment Research 2008*) for a one-year course in retail. Joinery is at the upper end of this due to capital equipment and material costs. Firms across these two sectors could have a similar number of employees – and hence be issued with the same amount of vouchers – but apprenticeship costs would be markedly different.

The joinery and woodworking sector is a high cost industry due to the machinery used and the rate of innovation – this makes delivery expensive for employers.

9. How do you think this limit should be calculated?

Comments:

Covered in response to question 8.

10. What should we do to support employers who want to take on more apprentices than their levy funding plus any top ups will pay for?

Comments:

Covered in response to question 8.

The levy is fair

11. How can we sure that the levy supports the development of high-quality apprenticeship provision?

Comments:

Giving a degree of independence to joinery and woodworking employers – through CITB for those in-scope – to manage how Apprenticeship levy funds are spent will ensure they deliver the skills businesses need.

While government has withdrawn much support for other Sector Skills Councils, they play (or played where they no longer exist) a crucial role in building bridges with employers on skill issues and are best placed to oversee their industry's apprenticeship quality.

Safeguards will also need to be put in place to ensure employers across sectors do not simply reconfigure training to claim Apprenticeship Levy funds. Ministers have taken steps to maintain quality through the trailblazers and by defining then term apprenticeship and these must continue.

12. How should these ceilings be set, and reviewed over time?

Comments:

Covered in response to question 11.

13. How best can we engage employers in the creation and wider operation of the apprenticeship levy?

Comments:

Through Trade Associations such as ourselves, and Sector Skills Councils/Standard Setting Bodies. For construction CITB, and for wood manufacturing, ProSkills.

Giving employers real control

14. Does the potential model enable employers to easily and simply access their funding for apprenticeship training?

☐ Yes ☐ No

Comments:

There remain a lot of unanswered questions which make it difficult for employers to fully understand how the potential new system will operate. For example, how will levy payments translate into vouchers? Will Government provide any co-funding of vouchers for large firms and SMEs?

15. Should we maintain the arrangement of having lead providers or should employers have the option to work directly with multiple providers and take this lead role themselves if they choose to do so?

☒ Yes ☐ No

Comments:

Depending on the size of a company, an employer may or may not have the scope and indeed expertise to play this lead role. I would suggest that only the extremely large firms would have the capacity to do this, but there should be the option for them to do so. Care should be taken to ensure that there is sufficient oversight through the relevant Training Board to ensure that this does not allow standards to drop and schemes that should be focussed on careers are distorted to support lower level training schemes.

16. If employers take on the lead role themselves what checks should we build in to the system to give other contributing employers assurance that the levy is being used to deliver high quality legitimate apprenticeship training?

Comments:

They would need to be subject to quality checks and inspection, if they choose this route, but companies should make a conscious choice to play this role which comes with the additional red tape.

17. Should training providers that can receive levy funding have to be registered and/or be subject to some form of approval or inspection?

☒ Yes ☐ No

Comments:

Yes – all training providers delivering apprenticeship should have to meet quality checks and inspection. The SFA are best placed to continue in this role in England, and similar bodies in other nations.

This should be coupled with Ofsted inspections. Ofsted inspections, have, however, moved to a single inspection template for all types of education institution from nursery to college, to private training providers. A one size fits all approach does not work and should be separated out. This will ensure that the right inspectors can assess a particular institution in the right way.

18. If providers aren't subject to approval and inspection, what checks should we build in to the system to give contributing employers assurance that the levy is being used to deliver high quality legitimate apprenticeship training?

Comments:

Not applicable in light of previous response.

19. What other factors should we take into account in order to maximise value for money and prevent abuse?

Comments:

No further comments

The levy is simple

20. How should the new system best support the interests of 16-18 year olds and their employers?

Comments:

The system proposed in the recent trailblazer guidance (July 2015) was for additional Government funded top-ups for 16-18 year old apprentices – and with the raising of the participation age this support should continue. However, it should also be noted that because of Health & Safety restrictions within the woodworking industry, particularly in the use of high-risk machinery, it is more difficult to take on 16-18 year olds – these firms will not benefit from any additional funding.

21. Do you agree that apprenticeship levy funding should only be used to pay for the direct costs of apprenticeship training and assessment?

☐ Yes ☐ No

Comments:

Government should continue to fund English and maths training, and provide additional apprenticeship support for small firms and 16-18 year olds. If vouchers for large firms are covering provider costs, then careful consideration needs to be given to what was funded previously and what will be funded under the new system. For example, SFA currently provides funding for the 'Apprenticeship element' which over an apprentice's recruitment, induction, progress reviews etc. These are essential parts of the programme and should continue to be supported.

22. If not, what else would you want vouchers to be able to be used for and how would spending be controlled or audited to ensure the overall system remains fair?

Comments: Careers advice, wider upskilling activities and supporting career switching.

23. Are there any other issues we should consider for the design and implementation of the levy that haven't been covered by the consultation questions we have asked you?

☐ Yes ☒ No

Comments: It is important to remember that CITB scope is broader than apprentices and training helps to maintain standards and captures other routes into the market enabling more rapid scaling up of operations in a fluctuating market

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Comments: Parity of esteem for apprenticeships with academia is fundamental, however will drift further if any reduction in apprentice standards is allowed. Serious consideration should be given to a "Clearing System" for apprentice applications similar to that for Universities. It is often cited as a success story that 4,000 people applied for 200 places at Rolls Royce, 3,800 could have been diverted to such a system to alternative options.

Funding also needs to be diverted into schools to help support the careers activities and "sell" the apprentice opportunities.

Please acknowledge this reply ☒

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

☒ Yes ☐ No