



A Skills Levy for England

September 2022

The RHA Proposal - Reform the Apprenticeship Levy

RHA is calling for the Apprenticeship Levy to be reformed to a Skills Levy so it can provide businesses with funded access to the training that best fits their requirements.

Businesses need a levy that is flexible for the learner and employer alike, that can react to and prevent future skills shortages. Introduced in 2017 the Apprenticeship Levy is paid by businesses with a payroll of £3m and above to provide apprenticeship training.

In England levy funding can only be used for apprenticeships of at least 12 months' duration. This format is inflexible and fails to meet the needs of many employers across the economy.

The RHA Skills Levy Proposal

The RHA proposes changing the existing levy to improve the effectiveness of the funding. Funding generated by the recast levy would be used flexibly for:-

- a / Approved apprenticeships;**
- b / Approved non-apprenticeship training of at least 12 weeks, including short modular courses and bootcamps;**
- c / Fully funded approved training for non-levy payers; and**
- d / Traineeships to prepare younger people and others for a new work environment**

The ability to provide a wider range of training will enable businesses to be more reactive to skills shortages. A skills levy will make it easier for SMEs to match training to their business needs.

How the Levy Works

The Apprenticeship Levy is paid by employers in England with a payroll of £3 million and above.

The levy funding can only be used for apprenticeships of at least 12 months' duration, using an approved apprenticeship training provider¹. The 12-month period is an arbitrary length, not based on the amount of time to taken to learn but on restrictive criteria. Within the driving-based apprenticeships, there will be learners who once they have gained their licence, lose the incentive to complete the apprenticeship. This is evidenced within Annex A, with Figure 1 highlighting the numbers of who have started their apprenticeship compared with achievements.

In order to pass the apprenticeship, the learner must achieve the set level of English and Maths associated with the apprenticeship standard. This excludes those learners that could have passed the apprenticeship but not the level of English and/or Maths required.

This training format is inflexible and fails to meet the needs of many employers across the economy.

Apprenticeships in the core lorry driving role are difficult for many employers to accommodate given the need to provide work for learners whilst they gain their licence. Therefore, logistics employers have struggled to fully utilise their levy funds. Given the current labour shortages in the sector, providing flexibility in training schemes is necessary for retraining employees, bringing new opportunities to a wider range of people and dealing with future skills challenges.

¹ Full details on the levy - www.gov.uk/hmrc-internal-manuals/apprenticeship-levy

One size doesn't fit all

Apprenticeships do have a vital role to play within logistics training, with high quality standards and long-term solutions available in certain situations. They provide a good training model for those businesses where the structure is available to support the learners throughout the apprenticeship.

However, one size doesn't fit all. The way the current Apprenticeship Levy funding must be used is leaving many employers and employees without the ability to provide appropriate training schemes for the skills required. The use-it-or-lose-it levy pushes employers and employees into training that doesn't always fit the need.

Many employers, from large third-party logistics providers providing haulage only to SMEs, find it difficult to provide the resource for the 20% off-the-job training requirements for the full 12-month period and struggle to provide productive work for the learner until they have gained their HGV licence.

For some employers, apprenticeships can serve the training needs for the occupation. There are a range of apprenticeship standards on offer to utilise and apprentices can spend time working within these other areas as part of their on-the-job training. Warehouse and traffic office apprenticeships work very well in these businesses.

However, over 80% of haulage companies are SMEs with limited capacity for the non-driving off-the-job training and the ability to provide productive work whilst training drivers for their licence. These employers have struggled to make apprenticeships, especially driving apprenticeships, work for them.

The transport sector has paid over £735m² into the levy since 2017 but it was reported to the APPG on Apprenticeships that the industry has only been able to draw down around 20% of that to fund apprenticeships³. If other approved courses were accessible via the funds, then the sector could fully utilise the levy funds for the benefit of learners and employers alike.

Skills training can be provided more effectively; having the flexibility to choose the training scheme that's right for both employer and employee makes the training far more valuable and much more likely to have a successful outcome.

The RHA Skills Levy Proposal

Logistics companies are complex and varied, providing a wide range of services, such as warehouses, large back-office functions, workshops and road transport.

We believe the greater flexibility, reduced administrative burden and more sector appropriate training opportunities provided by the RHA proposed reforms will :-

- a **I** Provide more effective training
- b **I** Increase the number of learners accessing training
- c **I** Reduce the administrative burden on employers
- d **I** Increase the upskilling opportunities for learners
- e **I** Maintain and enhance the integrity of skills training
- f **I** Boost diversity and inclusion by providing a range of flexible training options

Bootcamps - what an alternative model can do

In August 2022, it was announced that the HGV skills bootcamps would be extended to 2023. This highlights the suitability of the skills bootcamps in offering a flexible, targeted training programme that can work for employers and learners alike.

In August 2022, it was announced that a further 4,000 places would be available via the HGV skills bootcamps programme for 2023. This is welcome news, however, employers and training providers need the confidence that these will be available long-term so they can invest and utilise the bootcamps within succession planning.

Given the costs associated with the programme, we acknowledge that long-term funding will prove difficult, however the bootcamp system could be funded using a recast levy model. This would enable employers of all sizes to invest in current and future skills needs, and encourage learners of all ages and backgrounds to take part.

To date, the skills bootcamps have been limited to HGV driving licences, however this could be opened to coach companies and help provide much needed category D licences to tackle the coach driver shortages.

² FOI request response from HMRC – March 2022

³ Page 1, paragraph 6, APPG Apprenticeships – Lord Aberdare stated that only 18% of £155 million paid by the sector was used in 2019. <https://connectpa.co.uk/wp-content/uploads/2021/12/Apprenticeships-APPG-Transport-and-Logistics-Meeting-Minutes.pdf>

Conclusion - we need a Skills Levy

The current Apprenticeship Levy structure has proven inflexible in addressing the skills shortages and training needs of employers and learners. Over £700 million has been raised from our sector for apprenticeships, but it is estimated that less than a fifth of the levy funds have been used to train people for key roles where there is a desperate need for skilled workers. This is the result of an inflexible system, rather than an overall failure.

Whilst funding exists, these funds are not being fully utilised, and the existing Apprenticeship Levy system does not work effectively for a range of roles across logistics and other sectors.

The RHA's proposed reforms seek to address the gap between the way the Apprenticeship Levy works and the needs of thousands of SME businesses and their employees. Our industry needs a flexible and responsive Skills Levy, in place of the existing restrictive and bureaucratic Apprenticeship Levy.

RHA are working with other trade associations to make the case for greater flexibility in utilising levy funds.

RHA Policy

Annex A - Background data

The current Apprenticeship Levy structure has proven inflexible in addressing the skills shortages and training needs of employers and learners. Over £700 million has been raised from our sector for apprenticeships, but it is estimated that less than a fifth of the levy funds have been used to train people for key roles where there is a desperate need for skilled workers. This is the result of an inflexible system, rather than an overall failure.

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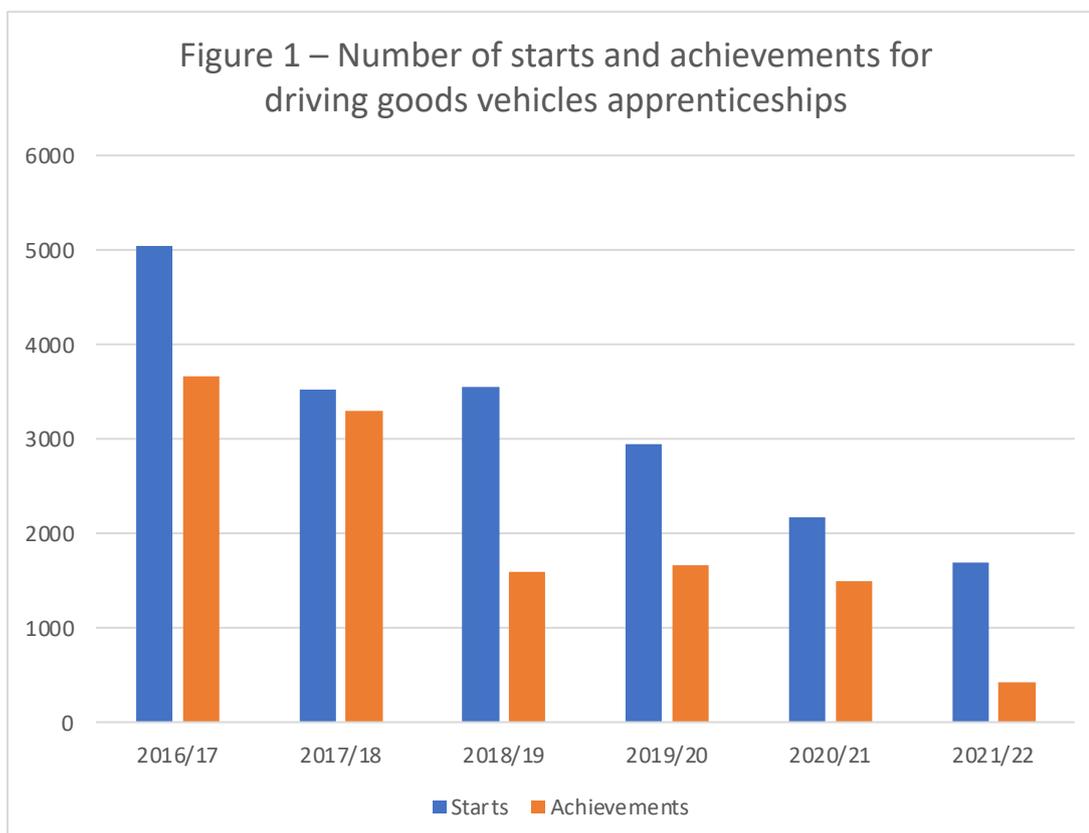


Figure 2 contains data from the Department for Transport and Driver and Vehicle Standards Agency, showing the total number of HGV licence tests passed per year and how many of those were passed as a result of the current apprenticeship system.

This data demonstrates how the industry and drivers have directly supported the training of lorry drivers. The impact of apprenticeships on the numbers of drivers trained is very low.

The market share for apprenticeships was impacted by the exclusion of C + E lorry drivers from the apprenticeship system for most of the period shown in Figure 2. These figures also show the impact of the COVID-19 pandemic on numbers trained.

The RHA contend that Figure 2 shows that the apprenticeship system does not work for many employers seeking to train lorry drivers. The demand is there from employers and potential drivers, but the existing system requires reform if we are to train more drivers in the future.

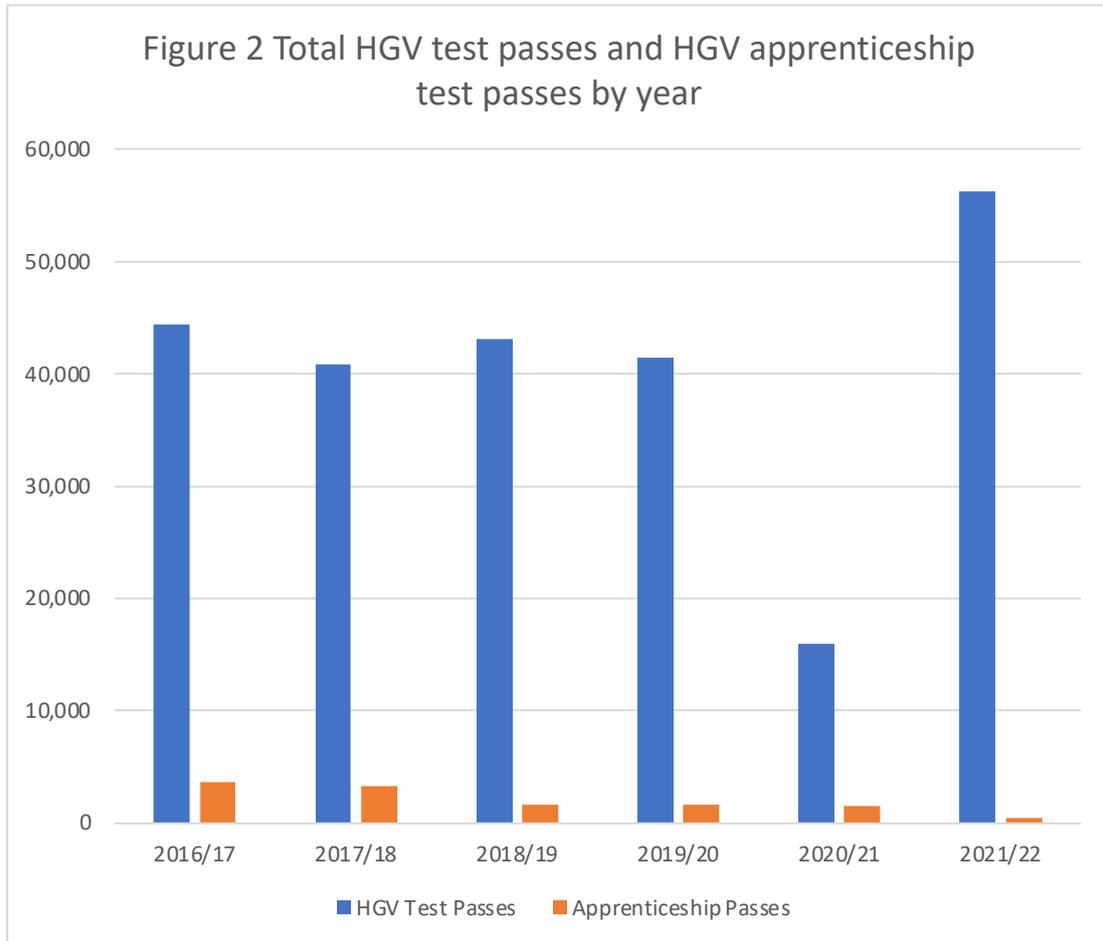


Figure 1

<https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships#dataDownloads-1>

Figure 2

<https://www.gov.uk/government/statistical-data-sets/driving-test-statistics-drt#large-goods-vehicles-lgv-driving-test-pass-rates-drt05>