



*Championing better  
work and working lives*

## **Consultation on the Scottish Government Response to the UK Apprenticeship Levy**

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CIPD Scotland submission to the Scottish Government

**Chartered Institute of Personnel and Development (CIPD)**

**August 2016**



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## **Background**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

## **CIPD Scotland**

CIPD Scotland represents 10,000 plus HR professionals across all of Scotland's sectors and in private, public and not for profit enterprises. We are committed to building better workplaces through the very day interactions and interventions of People and Development professionals and creating dialogue about the need for better work and working lives through our research and policy. We address the specific question of the committee's inquiry (as set out below) and outline our own view based on on research and that of others.

## Our response

**Q1: Should the Government's commitment to 30,000 Modern Apprenticeships starts a year by 2020 a) be maintained or b) be Increased?**

The target is obviously an ambitious one in terms of generating the quality youth training required to help Scotland build a productive and prosperous future. The CIPD would caution that, given the need for an ecosystem around such training as well as a supporting framework, raising the target in the short term might be detrimental to enabling quality apprenticeships in the areas we require in Scotland. There is already a perception amongst employers, as indicate in CIPD's recent national Apprenticeship Levy survey.<sup>1</sup> Though not specific to Scotland, we do have representative Scottish data and we believe that it gives unique insight into the issue from the perspective of the HR leaders and training specialists who are closely involved in developing and operating apprenticeship programmes. The report is based on two large surveys of employers and provides some important evidence on how employers are viewing apprenticeship levy and its wider implications for training and development.

**Q2: Should Apprenticeship Levy funding support growth in the number of graduate level apprenticeships in Scotland?**

The opportunity to take an apprenticeship should be fair and accessible to all of Scotland's young people and others appropriate for the apprenticeship route, although with the right support to enable access. In our view, the possibility of graduate-based apprenticeships should be linked to the specific skills requirements, and that should mean aligned with the needs of the specific industry. Assuming that a graduate with an apprenticeship will be more productive and have better long-term prospects than an over-qualified graduate working in a low-productivity, low-skilled job, then we are convinced can help build a Scottish workforce with the right skills to prosper in the future. We would also like to see a fast-track approach for talented apprentices to accelerate through organisations.

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<sup>1</sup> CIPD (2016). *Employer Views on the Apprentice Levy*. London: Chartered Institute of Personnel and Development. Available at: <http://www.cipd.co.uk/publicpolicy/policy-reports/employer-views-apprenticeship-levy.aspx> [Accessed 25 August 2016].

**Q3: Should Apprenticeship Levy funding be used to establish a flexible skills fund to support wider workforce development?**

Yes, in some specific cases. For instance, where it integrates with an industry training levy or where it supports the 'scaffolding' of apprenticeship resourcing and talent planning. An example of this would be in compensating for the lower productivity of skilled workers who are mentoring an apprentice or overseeing aspects of apprentice integration into the workplace. This sometimes requires a period of lower productivity for key workers tasked, in part, with the training of apprentices and employers invest significantly in this. If the capacity, therefore, cannot be built to support apprentices in the workplace, then they cannot be integrated into the workforce plan and thus won't have the impact they are capable of having on productivity and business performance. This can then impact the demand for apprenticeships, as the lack of quality opportunities that offer the right support can often lead to the dilution in quality which can damage the overall 'brand' of apprenticeships. This lack of demand can also impact the supply side, as a lack of applicants will lead to organisations reducing their own provision of apprenticeships.

CIPD's detailed research on a UK basis of employer views indicates strongly that apprenticeship should be seen as part of a wider workplace learning and development picture. We have called for the levy to be reframed as a more flexible 'Training Levy' that encompasses wider training opportunities other than just apprenticeships. In its current form, it means organisations have to use apprenticeships if they want to benefit from funding. This risks damaging unintended consequences, for example, forcing companies to reduce training in other forms of equally valuable training and development, or simply 're-badging' existing training. It also provides no incentive to offer higher-quality apprenticeships at level 3 and above, meaning we may see an increase in level 2 apprenticeships, undermining quality further and, importantly, the perception of apprenticeships as a meaningful alternative to university. If the levy was made available to include wider forms of training, then it would ensure that the drive for apprenticeships would be genuinely employer and demand-led, meaning the skills were being developed that matched the needs of Scottish employers and industries and, consequently, those of the Scottish economy.

**Q4: Should Apprenticeship Levy funding be used to support the Expansion of Foundation Apprenticeships?**

In CIPD's view, a levy should be focused on resourcing and planning for apprenticeships beyond foundation level. Foundation level should be owned and funded by government through the School and Further Education (FE) system, as much of the time the skills and

attributes are basic ones which need to be supported and developed at societal level. The levy funding, by boosting the quality of employer apprenticeships accessible with the foundation opportunities, should be reserved for productivity-enhancing apprenticeship in which we believe employers should rightly invest. The danger of levy funding being available for foundation levels are, in the view of the CIPD, threefold:

- The quality standard for in-work apprenticeships in the key areas of the economy is diminished.
- Foundation apprenticeships have often complex funding systems with the FE sector, which can incur transaction costs for employers.<sup>2</sup>
- The need to differentiate quality, high-skilled apprenticeships from basic levels of industrial training needs to become a driving aspect of apprenticeships policy in Scotland.

**Q5: Should Apprenticeship Levy funding be used to help unemployed people move into employment, and to help meet the workforce needs of Employers?**

Again, we believe that the funding channels and support between levy-funded apprenticeships and the wider responsibilities of government in helping to build a prosperous future for Scotland needs to be clear and distinct. Unemployed and discouraged workers can benefit disproportionately from focused, industry-led training opportunities. Given that skills transition, often the acquiring of basic skills, is a prerequisite for labour market access for the unemployed, the use of levy funding would have the same impact as we think it would for funding foundation apprenticeships. It is easy for government to see employers, especially those in the public sector, as a gateway for access. However, if we have a diffuse and undifferentiated funding approach, we will not drive the high-end, high-value productivity-enhancing skills that we need. CIPD's research last year on graduate over qualification, in which we found that 58.8% of graduates are working in non-graduate level jobs, points to the distinct lack of focus of much of our educational investment towards future jobs and even current skills gaps.<sup>3</sup>

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<sup>2</sup> One of CIPD's Glasgow based consultants working with our [People Skills](#) project – see below – mentions the relatively prohibitive costs of assessment fees of up to £500 for growing and often struggling SME's. Whether this is refunded is beside the point. The transaction costs or "hassle factor" are a barrier to action.

<sup>3</sup> CIPD [2015]. *Over-qualification and skills mismatch in the graduate labour market*. London: Chartered Institute of Personnel and Development. Available at: <http://www.cipd.co.uk/publicpolicy/policy-reports/overqualification-skills-mismatch-graduate-labour-market.aspx> [Accessed 25 August 2016].

**Q6: Are there any additional suggestions on how Apprenticeship Levy Funding might be used?**

We would like government to think in terms of two big challenges for Scotland's economy and our skilled future. Firstly, in a period of uncertainty and disruption, both economically and constitutionally, Scotland must focus even more on innovation to drive the productive and inclusive growth that government seeks. Secondly, given the role of SMEs as the engines of future employment, growth and innovation, we must link our training effort to that vital segment of our economy. Scotland's innovation centres have a big role to play in quality apprenticeship development, being able to link the major trends in industry innovation around product and process with the people requirements which will drive further growth.

CIPD Scotland supports the innovation centre in construction and we believe that if the other innovation centres were to play a role in helping to steer the levy into the most productive and innovate apprenticeship opportunities, then we would drive quality, from which demand and quantity would follow. However, driving demand for skills is about getting closer to the SME sector. CIPD in Scotland has developed a project, funded by JP Morgan and in partnership with Glasgow City Council, called [People Skills](#). This project offers free, expert HR support to SMEs on the people challenges they face as they grow. Skills, including apprenticeships, of course form a major part of that. Extending this project via additional levy funding would be a good way of ensuring that Scotland's SMEs are integrated into the wider effort. However, for this to happen there needs to be true transparency around costs, as the existing system can be frustrating complex to navigate. Hidden assessment costs, for example, are a big bug bear of smaller firms, as intelligence from our [People Skills](#) project indicates.

Finally, CIPD in Scotland is committed to the development of quality training and development, indeed it is a central part of our brand and a key skillset of our members. In its current form, we believe that the levy has problems and risks unintended consequences. However, if it was to be, as we have recommended to the UK Government, made more flexible, we believe it could act as a supportive resource for the development of quality training and development based upon innovation and high skills, leading to higher wages, and therefore playing its part in building Scotland's skilled future.

**CIPD**  
**August 2016**