

Consultation on the Scottish Government Response to the UK Apprenticeship Levy
Response by the Scottish Building Federation
August 2016

CONSULTATION QUESTIONS

About the Scottish Building Federation

The Scottish Building Federation is Scotland's leading construction employers' trade federation representing hundreds of construction companies throughout the country. In 1934, SBF founded the Scottish Building Apprenticeship and Training Council (SBATC) which is responsible for regulating the working conditions, wages, recruitment and training of apprentices within the Scottish construction industry. As such, SBF and its membership have a uniquely clear insight into the specific needs of the construction industry in Scotland in relation to future funding and delivery of apprenticeships.

Introduction

SBF previously submitted evidence to the UK Government regarding the proposed introduction of the Apprenticeship Levy. As part of this evidence, SBF highlighted the fact that, alongside engineering, the construction industry is one of only two sectors that already operates an industry training levy. In the case of construction, the CITB industry training levy has now been in operation for over 50 years. The levy's remit includes the provision of funding for apprenticeships but also for many other aspects of skills and training that are critically important to the industry's future success, including technical and managerial development activity, upskilling programmes and health and safety training.

In preparation of our response to the UK Government's consultation, we undertook a survey of SBF members in which an overwhelming majority expressed a clear view that they would prefer to see a specific exemption from the new Apprenticeship Levy applied to the construction sector in view of the pre-existence of the CITB training levy and for this to continue to be used as the main source of industry funding for training and apprenticeships.

Subsequent to this consultation, the UK Government has shown itself unwilling to consider such an exemption. Consequently, the new Apprenticeship Levy will also apply to construction. This has prompted understandable concerns from our Members regarding the prospect of effectively being obliged to contribute towards two separate levies with overlapping remits. There is also a real risk that this could undermine employer confidence in the CITB industry training levy to a critical degree.

Given where we now are, SBF and its membership have also sought to explore alternative approaches which may perhaps allow the Apprenticeship Levy and CITB industry training levy to successfully coexist through the operation of a hybrid levy system.

This would mean that the payment arrangements and funding outcomes for the Apprenticeship Levy and the existing CITB training levy would be designed in such a way as to complement one another. It should be kept in mind that this model would reduce CITB grant expenditure at UK level by around £40 million per annum, making it less effective. This is why an industry exemption from the Apprenticeship Levy would have been our first preference.

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

According to the latest figures from Skills Development Scotland, as of June 2016, 26.2% of all modern apprentices in training in Scotland were working in the construction sector and related trades such as plumbing and electrical installation.

On this basis, Scottish Building Federation Members and the wider construction industry continue to represent the backbone of the Scottish apprenticeship system, generating employment and training opportunities for thousands of youngsters each year.

At the same time, the Scottish Building Federation and its membership have maintained concerns that setting a headline target for Modern Apprenticeship starts across all economic sectors is a relatively blunt tool for ensuring that the specific skills requirements of individual sectors are properly met. It also gives no recognition to the wide variation in the quality and extent of training provided by apprenticeship frameworks across different disciplines and industries.

At worst, a focus on meeting the headline 30,000 target risks distorting training and skills development priorities so that apprenticeships policy is reduced to a simple numbers game rather than ensuring the right standards are being met and the right mix of skills are being developed to meet changing employer needs across different sectors of the economy.

We would like to see the headline Modern Apprenticeships target replaced with a more nuanced strategy, better reflecting the required balance between the quantity *and* quality of apprenticeship opportunities. This strategy should be developed and regularly reviewed on the basis of robust labour market intelligence and employer feedback. A greater focus on annual apprenticeship completions, in addition to apprenticeship starts, would also be of significant benefit. Notwithstanding the above concerns, we believe that a further increase in annual apprenticeship starts would be desirable, particularly if such additional apprenticeships were focused on remedying identifiable skills gaps through meaningful apprenticeship training.

Given that the construction industry already punches above its weight in relation to apprenticeships, the Scottish Building Federation believes that the main obstacle to achieving additional apprenticeship capacity within the industry is the confidence of employers in future workloads. We would welcome any measures that the Scottish Government can take to achieve greater stability in the pipeline of new work available, most notably through increasing capital expenditure targeted at those sectors of the industry most likely to stimulate apprenticeship recruitment and retention. Other assistance, such as apprentice wage subsidies, recruitment incentives or completion bonuses would also help to encourage an increase in apprenticeship recruitment across the sector.

At the same time, there is an ongoing concern regarding the Further Education sector's ability to cope with a substantial increase in construction apprenticeships. Regrettably, the provision of construction training has been substantially reduced at many colleges as a result of falling numbers during the recession. Against this background, the FE sector currently lacks the capacity to cater for construction apprentice training at pre-recession levels.

Q2. Should Apprenticeship Levy funding support growth in the number of Graduate Level Apprenticeships in Scotland?

As already outlined above, how funding from the Apprenticeship Levy is directed should be informed by robust labour market intelligence and employer feedback from individual sectors of the economy. Certain sectors will have a specific requirement for Graduate Level Apprenticeships – and this may also include construction in cases where employers are looking to develop future talent to fill managerial, technical and supervisory roles. However, demand for such Graduate Level Apprenticeships in the construction industry would be expected to remain relatively low with the preferred delivery model for the majority of construction apprenticeships continuing to be the protected employment status of four-year indentured craft apprenticeships.

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

In relation to the construction sector, the creation of such a fund risks further undermining the role of the existing CITB industry training levy by generating unnecessary confusion surrounding the overlapping remits of the longstanding industry levy and the newly implemented ‘Apprenticeship’ levy.

Consequently, SBF would prefer to see employers’ contributions to the Apprenticeship Levy reserved solely for the betterment and delivery of apprenticeships rather than being used to support wider workforce development, which is something that the existing industry levy already supports very effectively.

Q4. Should Apprenticeship Levy funding be used to support the expansion of Foundation Apprenticeships?

As was stated in our manifesto for the 2016 Scottish Parliament elections, SBF is opposed to the introduction of Foundations Apprenticeships for craft occupations since we believe this would undermine existing high standards of apprenticeship training in the construction sector which are achieved and sustained through the protected employment status of four-year indentured craft apprenticeships. We believe that opposition to Foundation Apprenticeships for craft occupations is a widely held view across the construction industry with many trade unions, trade federations and training providers adopting a similar position.

Instead, we would prefer to see a shift in focus to integrate pre-vocational training into the school curriculum to ensure pupils gain ‘workplace ready’ skills and a general understanding of the various positions and career pathways available in the construction industry.

Looking beyond craft apprenticeships, there is perhaps an opportunity to develop Foundation Apprenticeships in some Technical and Managerial positions within the construction industry in roles such as Estimating, Planning and Surveying. Indeed, a Civil Engineering Foundation Apprenticeship has already been developed to date with pilots currently operating in Inverness and West Lothian.

However, Foundation Apprenticeships are not an immediate priority for SBF members at this juncture. It is not envisaged that there would be a significant demand from within the construction industry to substantially expand and upscale the provision of Foundation and Graduate Apprenticeships at the current time.

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

To the extent that the support of employment opportunities is an inherent element of funding and delivering apprenticeships, yes.

However, as already stated, we believe that Apprenticeship Levy income should only be used to finance apprenticeship training or to provide direct support to employers in recruiting or retaining apprentices. As a result, SBF would not support the allocation of Apprenticeship Levy funds to additional Government initiatives aimed at helping unemployed people move into employment. Indeed, we would point to Government programmes that already exist for this purpose as the best vehicle for achieving this objective.

With a view to meeting the deliberately narrow remit of Apprenticeship Levy expenditure preferred by SBF Members and in the interests of meeting the Scottish Government's own goal of encouraging those categories of jobseeker who are furthest removed from the labour market back into work, we would argue that more generous incentives need to be put in place to assist employers with the more onerous training and development requirements that are likely to be associated with recruiting these categories of jobseeker as apprentices.

Q6. Are there any additional suggestions on how Apprenticeship Levy funding might be used?

As already outlined above, we believe that the sole remit of the Apprenticeship Levy should remain the funding and delivery of apprenticeships. Such a straightforward approach may encourage more employers to view the Apprenticeship Levy as a positive mechanism intended to support future generations of skilled workers through high quality apprenticeship opportunities.

To diversify the income generated from the Apprenticeship Levy into the more generic fields of skills, training and even employment initiatives risks undermining any latent support there may be for the introduction of the Apprenticeship Levy as well as causing confusion and uncertainty through the pursuit of objectives that are much broader and more ambiguous.

In this context, we note an ongoing commitment by the Scottish Government to fully fund apprenticeship training costs through Skills Development Scotland. The Scottish Building Federation supports the expansion of the current limit on funded apprenticeship starts but believes that any increase should be targeted to resolve skills gaps through the provision of high quality apprenticeships. For example, from a construction viewpoint, offering additional support for the provision of extra craft training in selected trade occupations in remote and island communities that would otherwise be economically unviable would be of particular benefit in plugging regional skills gaps.

However, given the scale of the additional revenues that will be generated through the introduction of the Apprenticeship Levy, there is a unique opportunity to move beyond the provision of funding purely for training costs and to support employers more directly with the employment of apprentices.

Evidence from Skills Development Scotland's Employment Recruitment Initiative and the 'Adopt an Apprentice' scheme aimed at re-housing redundant apprentices demonstrates that offering direct payments to employers can have a significant positive effect on recruitment and retention decisions.

On this basis, we believe the Scottish Government should see the introduction of the Apprenticeship Levy as an opportunity to expand the delivery of apprenticeships still further with a focus on addressing those roles where there are identified skills gaps and shortages and within those industries with the greatest potential to deliver future employment growth.

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Consultation on Scottish Government Response to the Apprenticeship Levy



RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response.

Are you responding as an individual or an organisation?

- Individual
 Organisation likely to pay the Levy Organisation unlikely to pay the Levy

Full name or organisation's name

Scottish Building Federation

Phone number

0131 556 8866

Address

Crichton House
4 Crichton's Close
Holyrood
Edinburgh

Postcode

EH8 8DT

Email

vaughan@scottish-building.co.uk

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
 Publish response only (anonymous)
 Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for the Scottish Government to contact you again in relation to this consultation exercise?

- Yes
 No