

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee

Yr Ardoll Brentisiaethau yng Nghymru / The apprenticeship levy in Wales

Ymateb gan Consortiwm Manwerthu Cymru / Evidence from Welsh Retail Consortium



WRC Response to the Economy, Infrastructure and Skills Committee inquiry into the Apprenticeship Levy in Wales

January 2017



Executive Summary

- The Apprenticeship Levy is potentially an opportunity to support a change in the retail skill base in Wales, which is being driven by the unprecedented structural change impacting the industry. It could also provide the opportunity to support those most vulnerable in the workforce and to help develop the new skills required for new and more productive roles in the future.
- However, we are concerned over how the implementation of the Apprenticeship Levy in Wales will work particularly in light of the seemingly little consultation and input from industry.
- As currently configured, we understand there will be no clear mechanism for retailers to access their levy funds in order to support skills training in Wales. We estimate that retailers will contribute £5 million annually to the Levy in Wales.
- Not having access to levy funds would mean that employers would effectively have to pay twice to run apprenticeship programmes in Wales. This could put Wales at a disadvantage vis-à-vis other parts of the UK and lead to lower investment and productivity growth over time.
- We believe that the creation of a more flexible skills fund which allows retailers to support their broader skills training needs, should be viewed as a priority by the Welsh Government.
- It has been extremely disappointing that the Welsh Government have chosen not to consult with levy payers, particularly given that this approach has been adopted in Scotland and Northern Ireland.

Introduction

About the Welsh Retail Consortium

Retail is an exciting, diverse and dynamic sector undergoing transformational change. The WRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail sector and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture. The WRC leads the sector and works with our members to shape debates and influence issues and opportunities that will help make that positive difference. We care about the careers of people who work in our sector, the communities retail touches and competitiveness as a fundamental principle of the sector’s success – our 3Cs.

Foreword

The WRC welcome the Committee’s inquiry into the Apprenticeship Levy in Wales especially since our members have been vocal in calling for a consultation by Welsh Government. Whilst a Government-led consultation hasn’t been forthcoming the decision by the Committee to scrutinise the Levy and its implementation in Wales is a positive move.

Retailers currently face a challenging trading and public policy environment. The cumulative burden of an anachronistic business rates system, the National Living Wage, the changes to employer’s pensions contributions, are having a damaging effect on businesses which have always been operated on low margins. In our competitive market, where profit margins are often razor thin, these costs are placing



question marks over commercial investment, jobs, the viability of many High Streets, and traditional business models.

It is worth noting that businesses which are struggling to make profits will also struggle to significantly invest in their workforce, either through higher wages or greater training and development. The retail industry supports the NLW, which is why many retailers go above and beyond the legal requirement by paying it to staff aged under 25, as well as older colleagues.

Our Retail 2020 report found the challenges facing the sector are leading to enormous structural change. It is expected that there will be significantly fewer over the next decade, accelerated by changes in public policy, illustrating the scale of change affecting retail. It is our aim to deliver better jobs as this transition beds in. It is in that context that the Apprenticeship Levy, which our members will contribute £5million per annum to in Wales, should be considered.

The Retail Industry and Work Based Learning

The Retail Industry is Wales's largest private sector employer with over 135,000 employees. Even more thousands of jobs are created and sustained by the grocery sectors engagement with the agri-food supply chain in Wales from farmers to processors and the wider retail sector including store fit-out firms and local suppliers.

Our industry has a strong track record in training its people from entry level roles to higher level apprenticeships in areas such as: logistics, warehousing, food preparation to retail management. Many retailers have extensive existing training arrangements, supported by significant investment, which deliver substantial benefits to the companies and employees concerned.

Typically, retailer's programmes will entail training modules that are shorter in duration and incorporate significant on-the-job training elements. These approaches have been developed through long-standing experience of what works best in a retail setting to achieve optimal training outcomes for the employees and company concerned.

We know that the nature of the retail skills we need in the future is going to be very different. Areas such as hospitality, customer loyalty and technology are becoming more important as the labour intensive elements of retailing are reduced. The BRC's group of HR Directors has been focusing particularly on raising standards in skills development and job design, as well as developing opportunities that may arise from the Apprenticeship Levy.

Response to the Consultation Questions

Note - We can only outline perceived and hypothetical implications given the lack of detail and absence of any formal statement from the Welsh Government.

What are the implications of the introduction of the UK Apprenticeship Levy for employers in Wales?

1. The levy is potentially an opportunity to support a change in the retail skill base, which is being impacted by the unprecedented structural change impacting the industry, and to support those most vulnerable in the workforce. It could also provide the opportunity to



develop the new skills needed for new and more productive roles in the future.

2. **However, we are concerned over how the implementation of the Apprenticeship Levy in Wales will work particularly in light of the limited engagement and input from industry.**
3. It is disappointing that the UK Government should legislate in an area without appropriate consultation with the Welsh Government or industry. Regardless of the merits or not of the Apprenticeship Levy, it is inappropriate for the UK Government to legislate in a devolved area in this manner.
4. The consequence of this is that whilst the Apprenticeship Levy is hypothecated for a specific use in England, the Barnett Consequentials of the revenue raised will be passed to the Welsh Government without specific spending conditions. This change in funding will occur concurrently with reductions in the block grant from HM Treasury.
5. The result of this is that it is quite possible employers of scale operating in Wales will be required to pay substantial sums to the UK Government with no guarantee they will recover any of the money contributed.
6. It is worth noting that retailers are keen to engage with the skills and training agenda. However, often the current provision of skills training is heavily circumscribed towards specific policy objectives which do not align with those of industry. As a potential consequence, training often occurs in parallel rather than collaboratively. It would be a very positive development if the implementation of the Levy were to see a re-evaluation of skills policy in Wales to better meet the needs of industry.
7. **As currently configured, it is our understanding there will be no clear mechanism for retailers to access their levy funds in order to support skills training in Wales. We are also aware that, in addition to being unable to see a return on the levy in Wales, the Welsh Government may also cut the number of apprenticeship places for retail and customer services roles.**

Will there be different implications for public sector and private sector employers?

8. We envisage that the Apprenticeship Levy will become a consideration for businesses looking to expand or invest in Wales due to the additional costs of the scheme, which may return little or no benefits for business and its employees. Without the ability for employers to draw down funding from the contributions they make there is the possibility that we will see a disincentive to growth and investment by the private sector in Wales.

Are there any specific implications for employers who operate both in Wales and also throughout the UK (that you have not previously referred to in your response)?

9. **The key point is that not having access to levy funds would mean that employers would effectively have to pay twice to run apprenticeship programmes in Wales. This could put Wales at a disadvantage vis-à-vis other parts of the UK and lead to lower investment and**



productivity growth over time, unless retailers can at least indirectly access some of their levy funds in Wales.

10. In addition, there is a lack of consistency across the UK devolved nations, both in terms of apprenticeship funding, eligibility criteria and apprenticeship standards which causes challenges for retailers operating across all 4 jurisdictions.
11. The implication of the devolved levy approach is that our employees could be trained to differing standards dependent on where they live which creates difficulties in drawing up business-wide job specifications if training differs throughout the UK. Our members want to be able to offer the same training opportunities to colleagues no matter where they live or work.
12. Employers will have to communicate why colleagues in Deeside, for example, will have differing training experiences based on which side of the border they live. This will require ongoing communication and engagement with staff given the confusion and uncertainty that this is likely to cause. There is also the risk that, under an apprenticeship scheme, employers may wish to move colleagues cross border for a short period of time but the levy, as it currently stands, makes this very difficult.
13. There is a real risk that where colleagues in England can continue to access apprenticeship opportunities options could be limited for colleagues based in Wales who will see this as a barrier to furthering their career or choosing specific professions.

Question 4: If you have concerns about the funding of apprenticeships after the introduction of the UK levy, what would you like the Welsh Government to do to address your concerns?

14. The WRC strongly supports the creation of a flexible skills fund to support wider workforce development. The reality is that for many medium and large retailers, the formal apprenticeship programme as currently conceived is not sufficiently relevant to their training needs. Retail is going through a process of fundamental change. As retailers go through this process, the nature of a 'shop floor' role is changing enormously. Furthermore, the impact of digital retailing means that many traditional retail jobs will need to evolve to encompass new skills.
15. Consequently, frequently the traditional apprenticeship programme is not currently suitable for much of the training for retailers. However, this does not equate to a lack of investment in training. As the retail market has become more competitive, retailers have responded by investing in human capital, training workers to be more effective and productive.
16. **We ask that the Welsh Government follow the lead of Scotland and introduce a Flexible Skills Fund, which goes beyond apprenticeships, to support retail skills training more broadly. We believe that the creation of this skills fund should be seen as a priority for the Welsh Government's use of the Apprenticeship Levy revenues.** The reality is that without access to this fund the majority of retailers contributing to the Levy will struggle to receive any significant level of return from the Levy funds they have paid.
17. We feel that the Trailblazer apprenticeship standard in England is the best standard and would like to see this replicated across the UK.



18. The Welsh Government needs to engage more effectively with the business community to facilitate regular discussions around this issue. More broadly, in the absence of being a named priority sector and given the challenges the industry is facing, the Welsh Government should develop a Retail Strategy for Wales to ensure early dialogue on issues such as the Levy in light of the ongoing structural change impacting on the industry.

Question 5: What, if any, are the cross-border funding and policy issues which arise from the introduction of the Apprenticeship Levy (that you have not previously referred to in your response)?

19. It is worth reiterating that, as currently configured, the system risks putting Wales at a disadvantage compared to the rest of the UK in terms of skills investment and may result in divergent training programmes being pursued by retailers who operate on a UK-wide basis.

Questions 6: Do you have any views about how the Welsh Government has engaged with employers with regard to the Apprenticeship Levy?

20. It has been extremely disappointing that the Welsh Government have chosen not to consult with levy payers, particularly given that this approach has been adopted in Scotland and Northern Ireland. We still call for consultation to take place, even at this late stage.
 21. Members of the WRC are some of Wales's largest employers, and the retail industry itself employs more people than any other business sector, which is why we remain concerned over the lack of proactive engagement by the Welsh Government and, more widely, the Regional Skills Partnerships.
 22. We would like to have seen closer dialogue on how the Levy will be implemented in Wales at a much earlier stage to enable business to plan their schemes. Without sight of a formal statement by the Welsh Government we continue to make assumptions based on some of the information that has been received through stakeholder engagement which has been initiated solely by the WRC.
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