

Apprenticeships Levy Consultation
Department for Business, Innovation and Skills
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London
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Consultation the Apprenticeships Levy

Tourism Alliance Submission

1. Introduction

The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 55 tourism industry associations that together represent some 200,000 business of all sizes throughout the UK. The Tourism Alliance's mandate is to work with Government on issues relevant to the growth and development of tourism and its contribution to the economy. It is therefore responding to this discussion paper in that capacity. A list of member organisations is included as Appendix 1.

Tourism is one of the UK's largest industries with residents and overseas visitors taking around 1.7bn trips and spending £127bn (9% of GDP) annually. This expenditure creates employment for 3.1m people (9.6% of the UK's workforce).

More importantly, however, the tourism industry has been one of the main drivers of growth in the UK economy since the 2008 recession with recent research by the Office for National Statistics finding that the industry had:

- Provided growth at a faster rate than most other industries
- Provided additional Employment at almost twice the rate of other industries
- Increased export earnings by 26.5% to £24bn pa since 2008

2 General Comments

The Tourism Alliance and the tourism industry as whole is very supportive of the Government's moves to address skills shortages with UK industry as a whole. This is an issue that impacts on the tourism industry and People 1st have undertaken significant research on the problems that skills shortages have caused to the sector's productivity.

However, we do not believe that the introduction of a compulsory levy is the right way to achieve this goal. We believe that rather than forcing businesses into a compliance-based regime, they should be incentivised to provide training for their staff – ie there should be a “carrot” rather than a “stick” approach.

The main problem with the current system is that it is complex and bureaucratic and that the Government’s focus should be on resolving these problems rather than trying to develop a new system which itself has the risk of being equally complex and bureaucratic.

3. Answers to Specific Questions

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?

The Tourism Alliance believes that only those businesses that pay into the apprenticeship levy scheme should receive the benefits from the scheme. For the Government to take funding from one business to subsidise the costs of another business is anticompetitive.

This, however, is not to say that businesses should not be able to determine who should benefit from the funding that they provide to such schemes as there may be circumstances where businesses agree that there is greater benefit for training to be provided to people within their supply chain but outside their particular business.

What is important is that, regardless of whether or not the Government adopts this initiative, there still needs to be incentives for small businesses to provide training and improve the skills of their staff. This is very important to the tourism industry as around 80% of tourism businesses (200,000 businesses) are SMEs.

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

The primary criteria for any new scheme should be as simple as possible and not add to the regulatory burden of businesses. Therefore, attaching a levy to a system such as PAYE would be a sensible approach.

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

As the objective of the proposed scheme is to improve the skills of employees and to thereby increase the productivity of businesses then it makes sense to base the size of the business on the number of employees.

However, there are two caveats on this. First, some sectors such as the tourism industry are labour intensive and so businesses with relatively small turnovers can employ many more people than much larger businesses in

other sectors. Second, there are many businesses with high turnovers in the UK which outsource much of their labour to a large number of small sub-contractors. These firms would escape any payment based simply on employee numbers.

Therefore, we would advocate any system be based on a dual assessment of employees and turnover.

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

The Tourism Alliance would support businesses being able to spend apprenticeship funding on people that are not their employees. There are many situations where industries have a very tight supply chain or network of sub-contractors where they would maximise their business's productivity by improving the skills of people who are not their direct employees.

The principle should be that businesses are able to spend their money where they believe they will derive the maximum benefit.

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

Depending on determination of the qualifying size of businesses, it would be expected that the majority would have employees located outside England. This leads to a level of complexity and issues related to compliance and monitoring that we believe make the proposals unwieldy, especially compared to a system based on tax incentives which has universal application across the UK.

There is also the prospect that the implementation of the proposal could lead to the distortion of employment patterns in the UK as businesses employed or relocated on the basis of this cost.

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

There is a principle that if the funding is not a tax but is simply being held in trust by the Government on behalf of the business, then there should be no expiry date.

Also, there is already an incentive for businesses to use the funds for training as they cannot withdraw the money for any other purpose and there is no benefit if funds simply keep accruing.

Another issue is that companies often change and adapt their business strategy. When they do so their training costs can be significant as they need employees with different skills. It therefore makes sense provide flexibility in the scheme to allow companies to build their training levy over a number of years so that they can fund training programmes when they restructure or change strategy.

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

We do not believe that there should be a limit on the amount that individual employer's vouchers can be topped-up.

How do you think this limit should be calculated?

As stated above, we do not think a limit is necessary.

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?

As we have mentioned above, we believe that there should be incentives for businesses to provide training for staff regardless of whether this proposal is introduced. These tax incentives would be available for businesses that did not qualify for this scheme and for businesses that already contribute to this scheme but what to undertake more training that can be paid for through their contribution.

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

We do not believe that this will be an issue as there is no incentive for businesses to spend their money on providing staff with substandard training. Simply market forces will drive businesses to achieve that maximum benefits with the funding that is available.

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

We believe there will need to be different ceilings set for different forms of training. This should be something that is discussed between training providers, employers, sector representatives and Government. The fee could be indexed or reviewed periodically, for example every three years.

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

There are a number of existing means to engage with business in the apprenticeship levy including trade associations and representative bodies and the Commissioners for Employment and Skills..

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

There needs to be more detail supplied on how the scheme would operate and be administered in order to provide an answer to this question.

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?

One of the fundamental flaws with the proposal is that it creates problems with the assessment of in-house training. If in-house training is not covered by the scheme then it is imposing additional costs on businesses by forcing them to outsource their training programmes. On the other hand, if in-house training is included, then the scheme incentivises businesses to provide poor training to staff in order to get their money back out of the scheme.

The only way around this is to have in-house training schemes certified which, in itself, adds another layer of cost and bureaucracy to the scheme.

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

As mentioned above, there is no incentive for businesses to provide sub-standard training for their staff. If businesses are unable to spend the funds on any other purpose, then they will aim to generate the maximum benefit for the company through the training that they provide their staff.

Requiring trainers to be registered again simply adds to the cost and bureaucracy of the scheme.

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

The government should seek to incentivise businesses to ensure adequate provision for 16-18 year olds by ensuring the additional costs of training and developing this group is covered, possibly by the top-up element of the levy

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

We agree that the levy funding should be used for the direct costs of apprenticeships but there also needs to be flexibility for businesses to use their money as they see fit to train employees.

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?

The current regime is very complicated for employers, bureaucratic in its approach and that some of the quality of training providers has been unsatisfactory. These are the fundamental issues that need to be addressed. However, this consultation contains little detailed information to reassure us that these issues will be resolved by the adoption of this new scheme. There are also significant problems such as the treatment of in-house training which suggest that insufficient thought has been put into the development of this new scheme.

As such we would ask that no decision be made on whether to progress with this scheme until such time as the industry is able to consider a fully detailed proposal.

Thank you for the opportunity to comment on this proposal. If you would like to discuss any of the issues raised in this submission, then please do not hesitate to contact us.

A handwritten signature in black ink, appearing to read 'Kurt Janson', with a long horizontal flourish extending to the right.

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Appendix 1 Tourism Alliance Members

ABTA - The Travel Association
Airport Operators Association
ALMR
ALVA
ANTOR
Association for Tourism in Higher Education
BACTA
BALPPA
Bed & Breakfast Association
British Beer & Pub Association
British Destinations
British Educational Travel Association
British Holiday & Home Parks Association
British Hospitality Association
British Marine Federation
Business Visits & Events Partnership
Camping & Caravanning Club
Churches Visitor and Tourism Association
Confederation of Passenger Transport
Country Land and Business Association
Cumbria Tourism
EASCO
English UK
European Holiday Home Association
European Tour Operators Association
Experience Nottinghamshire
Family Holiday Association
Farm Stay UK
Group Travel Business Forum
Heritage Railway Association
Historic Houses Association
Historic Royal Palaces
Institute of Tourist Guiding
Liverpool City Region LEP
Marketing Manchester
National Caravan Council
National Trust
New Forest Destination Partnership
Outdoor Industries Association
Premier Cottages
Resort Development Organisation
South West Tourism Alliance
The Caravan Club
The Tourism Alliance Brighton and Hove
The Tourism Society
Tourism For All
Tourism South East
UKInbound
Visit Cornwall
Visit Kent
Visit Wiltshire
Welcome to Yorkshire
Wyndham Worldwide

Observers

Local Government Association
VisitBritain
VisitEngland