

# The Apprenticeship Levy

## Likely impact on the digital sector

### Background

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- The Government announced its intention to introduce an Apprenticeship Levy to fund 3m new apprenticeships in the Summer Budget 2015. The levy will come into effect in April 2017 and in England, control of apprenticeship funding will be undertaken through the Digital Apprenticeship Service.
- The levy will affect all employers with annual pay bills in excess of £3 million. They will be charged a flat rate of 0.5% p.a. of their pay bill. Each employer will receive an annual allowance of £15,000 to offset against their levy payment.

### The digital industries and the apprenticeship levy

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- Latest estimates from the ONS Annual Business Survey (ABS) show the digital industry in 2014 encompassing approximately 164,000 enterprises<sup>1</sup> - i.e. 7% all enterprises in the UK at that time and 7.8% of those covered by the ABS (which covers 'only the UK Non-Financial Business Economy').
- Among these digital enterprises, there were 1,400 in 2014 that reported **gross wages and salaries** of £3m or more (0.8% of all digital enterprises) and 1,600 with **total employment costs** at that level (1.0%).
- By comparison, amongst UK enterprises as a whole (non-financial services) there were 16,700 in total (0.8%) with **gross wages and salaries** of £3m or more and 18,800 with **total employment costs** at that level (0.9% of the total).
- In total, 8% of firms affected by the levy are likely to be from the digital industries.

### Likelihood of being affected compared with other industries

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- Among the eighteen industry sections for which data is available, the digital industries are the ninth highest with respect to the **proportion** of enterprises likely to be affected by the apprenticeship levy according to both the **gross wages and salaries** measure and by **total employment costs**.

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<sup>1</sup> The total is slightly lower than IDBR figures presented in Tech Partnership core data file due to differing collection/rounding methodologies.



- Considering the actual number of enterprises likely to be affected however, the digital industries come out sixth and fifth respectively according to the two assessment measures - for further information a breakdown of these figures is presented at Annex A.

### **Expected financial contribution from the digital industries**

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- In total, the digital industries' contribution to the apprenticeship levy (after rebate) is expected to be in the order of £120m-£150m depending upon the calculation methodology (i.e. **gross wages** and salaries versus **total employment costs**).
- This equates to 8.9% of the overall anticipated levy collected (£1.3bn to £1.6bn according to the two measures) - i.e. a slightly higher share than that associated with the number of digital enterprises in the economy, as noted earlier.
- Digital businesses will be the seventh highest contributor towards the levy (£) under the gross wages measure and the 6<sup>th</sup> highest according to total employment costs.
- NB This does not take into account the contribution made by non-digital companies who employ a high number of digital staff.

### **Data source:**

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- All figures provided by the Office for National Statistics

## ANNEX A

Enterprises with gross wages & salaries >=£3m	Enterprises		Affected by levy		Total wage bill		Contribution less rebate (£m)		Contribution less rebate (share)	
	rounded	Share	rounded	%	GWS (£m)	TEC (£m)	GWS	TEC	GWS	TEC
Agriculture forestry and fishing	12,500	0.6%	20	0.2%	£1	£1	£1	£1	0%	0%
Mining and quarrying	1,300	0.1%	120	9.6%	£23	£28	£21	£26	2%	2%
Manufacturing	125,900	6.0%	3,330	2.6%	£228	£275	£178	£225	13%	14%
Electricity gas steam and air conditioning supply	3,300	0.2%	70	2.2%	£23	£30	£22	£29	2%	2%
Water supply, sewerage, waste and related	7,000	0.3%	130	1.8%	£17	£21	£15	£19	1%	1%
Construction	270,600	12.9%	1,050	0.4%	£76	£87	£60	£71	4%	4%
Wholesale and retail trade; vehicular repair	358,200	17.1%	2,270	0.6%	£270	£305	£236	£271	18%	17%
Transport and storage	76,700	3.7%	770	1.0%	£136	£161	£125	£149	9%	9%
Accommodation and food service activities	132,000	6.3%	460	0.4%	£54	£59	£47	£52	4%	3%
Information and communication	186,700	8.9%	1,440	0.8%	£160	£191	£138	£169	10%	11%
Real estate activities	85,600	4.1%	420	0.5%	£30	£36	£24	£29	2%	2%
Professional scientific and technical activities	413,000	19.7%	2,380	0.6%	£193	£228	£157	£192	12%	12%
Administrative and support service activities	172,700	8.2%	1,550	0.9%	£155	£170	£131	£147	10%	9%
Education	34,000	1.6%	1,100	3.2%	£108	£131	£91	£115	7%	7%
Human health and social work activities	67,300	3.2%	1,020	1.5%	£70	£78	£55	£63	4%	4%
Arts entertainment and recreation	58,700	2.8%	370	0.6%	£34	£39	£29	£33	2%	2%
Other service activities	88,500	4.2%	220	0.3%	£18	£21	£14	£18	1%	1%
<b>All (non-financial sectors)</b>	<b>2,094,100</b>	<b>100.0%</b>	<b>16,710</b>	<b>0.8%</b>	<b>£1,596</b>	<b>£1,861</b>	<b>£1,345</b>	<b>£1,610</b>	<b>100%</b>	<b>100%</b>
<b>Tech/Digital Industries</b>	<b>164,100</b>	<b>7.8%</b>	<b>1,380</b>	<b>0.8%</b>	<b>£140</b>	<b>£168</b>	<b>£120</b>	<b>£147</b>	<b>8.9%</b>	<b>9.2%</b>

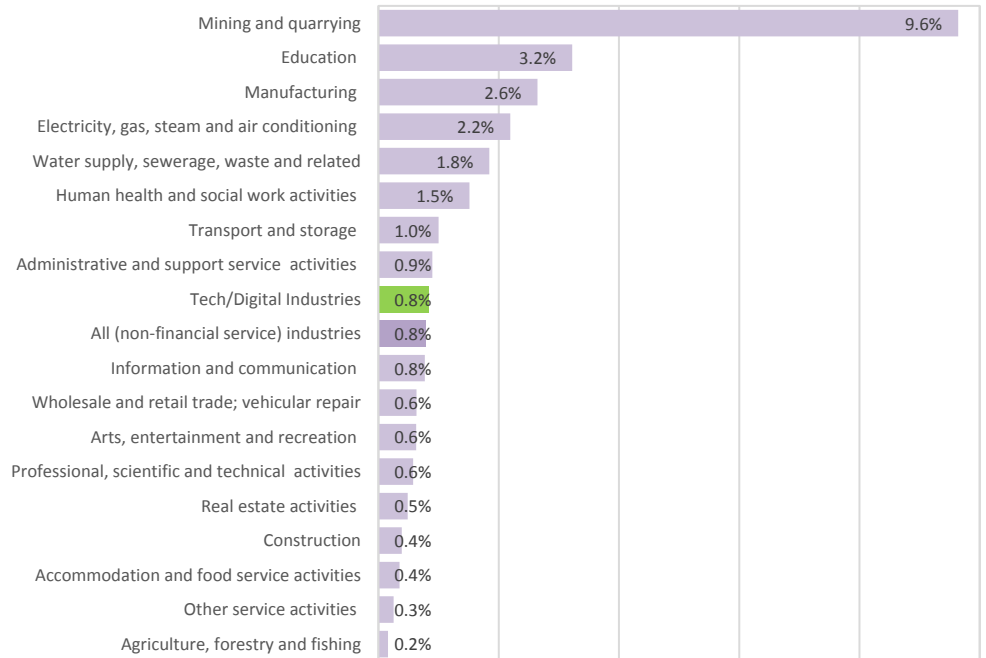
Source: ONS Annual Business Survey



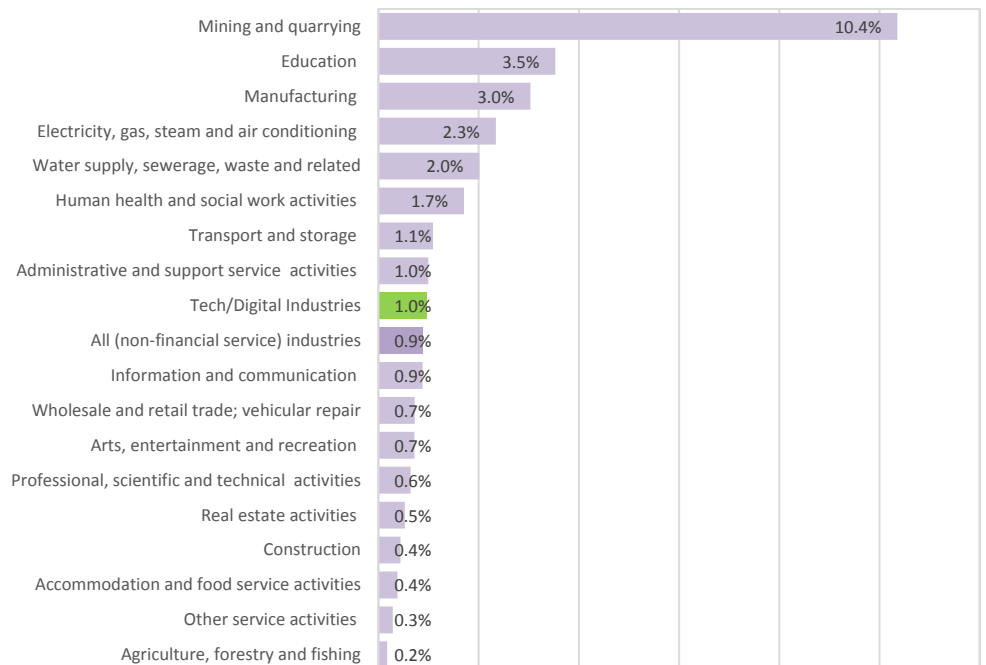
Enterprises with total employment costs >=£3m			Affected by levy		Total wage bill		Contribution rebate (£m) less		Contribution rebate (share) less	
	rounded	Share	rounded	%	GWS (£m)	TEC (£m)	GWS	TEC	GWS	TEC
Agriculture forestry and fishing	12,500	0.6%	20	0.2%	£1	£1	£1	£1	0%	0%
Mining and quarrying	1,300	0.1%	130	10.4%	£23	£28	£21	£26	2%	2%
Manufacturing	125,900	6.0%	3,820	3.0%	£235	£283	£178	£226	13%	14%
Electricity gas steam and air conditioning supply	3,300	0.2%	80	2.3%	£23	£30	£22	£29	2%	2%
Water supply, sewerage, waste and related	7,000	0.3%	140	2.0%	£17	£21	£15	£19	1%	1%
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Other service activities	88,500	4.2%	250	0.3%	£18	£21	£14	£18	1%	1%
<b>All (non-financial sectors)</b>	<b>2,094,100</b>	<b>100.0%</b>	<b>18,800</b>	<b>0.9%</b>	<b>£1,625</b>	<b>£1,894</b>	<b>£1,343</b>	<b>£1,612</b>	<b>100%</b>	<b>100%</b>
<b>Tech/Digital Industries</b>	<b>164,100</b>	<b>7.8%</b>	<b>1,590</b>	<b>1.0%</b>	<b>£143</b>	<b>£171</b>	<b>£119</b>	<b>£148</b>	<b>8.9%</b>	<b>9.2%</b>

Source: ONS Annual Business Survey

**gross wages and salaries** of £3m or more,



**Proportion** of enterprises in the UK with **total employment costs** of £3m or more,



Source: ONS Annual Business Survey. Figures refer to 2014

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