



## Apprenticeships vital for small business growth

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Recent unemployment figures show that the total number of people under 25 who are out of work rose by 32,000 to 951,000 in the three months leading up to November 2010.

Apprenticeships are valued by small businesses. As many as 82 per cent of FSB members say that they are in favour of an increase in the minimum wage for apprentices from £95 to £123 per week<sup>1</sup>. The Government needs to recognise that small businesses are prepared to pay more for apprentices but that the burden of employment law combined with a lack of information and guidance is stopping small businesses from taking apprentices on.

The FSB urges the Government to lift barriers to employment that stifle job creation in order to give employers the opportunity to pass on their wisdom to apprentices of all ages. The economic benefits are conclusive as the profitability of a small business can be improved by having an apprentice who is enthusiastic and a willingness to see the business succeed.

The planned increases in fees for Higher Education will require young people to assess the pros and cons of going to University. Higher Education is only one option available, the FSB wants to shift focus to the value of enterprise, vocational education and in particular the importance of apprenticeships to stimulate economic growth.

69 per cent of all apprenticeships take place in businesses with fewer than 50 employees.<sup>2</sup> We have identified five actions which will enable this figure to grow as we strive for greater levels of job creation.

### **ACTION: Incentivise micro businesses to take on apprentices**

If the Government is to create extra apprenticeship placements then funding must be targeted towards those who need it most; micro businesses looking to take on their first apprentice to grow their business. The Apprenticeship Grant for Employers<sup>3</sup> scheme with a value of £2,500 to encourage small employers to take on unemployed 16-17 year olds as apprentices was well received.

In a recent FSB survey on Skills, 66 per cent of businesses say that with the right measures in place they would take on an apprentice. Those measures include: a financial incentive for taking on an apprentice (37 per cent), greater clarity in terms of government contributions to wage and training costs (32 per cent) a separate body to manage the payroll costs (16 per cent). Financial incentives do work which is why a proportion of the ring fenced funding to

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<sup>1</sup> <http://www.fsb.org.uk/frontpage/assets/smallbusinessbigemployers.pdf>

<sup>2</sup> <http://www.fsb.org.uk/frontpage/assets/smallbusinessbigemployers.pdf>

<sup>3</sup> <http://www.apprenticeships.org.uk/About-Us/Newsletter/2010/February/OtherItem2.aspx> - small employers taking on a 16 and 17 year old NEET would receive a grant of 1,000 followed by £1,500 after three months.



create 75,000 extra apprenticeship places must be assigned to a reinvigorated Apprenticeships grant scheme.

**The FSB believes that allocated funding to apprenticeships must be used to benefit micro businesses. Small financial incentives (from existing funds) must be considered by Government to stimulate micro businesses to take on an apprentice.**

**ACTION: Greater promotion of Apprenticeship Training Agencies (ATAs)**

Small businesses struggle with the bureaucracy of taking on an apprentice which is why it is vital that small businesses, particularly micro-businesses, receive assistance to provide an apprenticeship to increase the growth potential within their business.

**The FSB is calling for a greater nationwide focus on Apprenticeship Training Agencies. These agencies would employ the apprentice and deal with matters such as sourcing training and administrative issues surrounding Employer Compulsory Liability Insurance. Small businesses are keen to take on apprentices but they are simply unaware that companies exist to act as a “host” employer. The National Apprenticeship Service must do more to promote the benefits of ATAs to small businesses.**

**Action: Enabling small businesses to access apprentices through the supply chain**

Small businesses struggle to win public sector contracts. The Department for Business Innovation and Skills intends to work with public sector bodies to encourage and support them to use public procurement as a lever to raise employers' engagement with Apprenticeships and other types of training.<sup>4</sup> A Private Members' Bill is also currently progressing through the parliamentary process<sup>5</sup>. This Bill requires certain public procurement contracts let by public authorities to include a commitment by the contractor to provide apprenticeships and skills training.

**The FSB places great value in skills and apprenticeships, however, we are concerned that the measures set out in the Bill will place burdens on small businesses. There should be no pre-requisite on small and micro businesses to have an apprentice before that business can bid for a contract or be a sub contractor. Instead we must nudge the public sector to work closely with the National Apprenticeship Service to enable small businesses to place an apprentice with the help of ATAs.**

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<sup>4</sup> Department for Business, Innovation and Skills – Skills for Sustainable growth strategy - <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/s/10-1274-skills-for-sustainable-growth-strategy.pdf>

<sup>5</sup> Private Members' Bill - Apprenticeships and Skills (Public Procurement Contracts) Bill 2010-11



**Action: Scrap the Time to Train legislation**

Time to Train legislation should be removed to encourage businesses to take on more employees and apprentices.

Under this piece of legislation (April 2011), small businesses will be required to hold formal meetings on training activities with employees and representatives (potentially from a Union). We believe that a business should not have to deal with formal requests and then hold formal meetings because of the extra burden on time which this would create. The regulation also requires employers to have to pay employees and representatives who attend these formal meetings; so if a small business has two employees one of them can ask the other to attend and get paid for that meeting and more importantly no one will be working.

The Government must do more to encourage small businesses to employ staff. Processes such as formalised “time to train” legislation should be removed to show business that the UK is conducive to business growth. **The FSB is therefore calling for small businesses to be exempt from this legislation due to come into force in April 2011.**

**Action: Local Enterprise Partnerships to work with partners on skills issues.**

With the removal of the Regional Development Agencies and the move to localism through Local Enterprise Partnerships (LEPs) it is vital that skills are recognised at the local level. Group Training Associations (GTAs)<sup>6</sup> provide an effective route for small employers to train apprentices and staff to their own requirement. GTAs can help create new jobs and training opportunities allowing smaller businesses to offer training opportunities to apprentices.

***Group Training Associations Case Study: Training 2000<sup>7</sup>***

Training 2000 is one of the largest GTAs in England, with a turnover of £13 million a year and extensive facilities throughout the North-West, accrued through successive mergers and acquisitions over the past 20 years. Training 2000 is one of the leaders of the GTAs, achieving high standards across a diversified technical curriculum. It emphasises work skills as well as technical skills through offering a work-like environment, including clocking-in, professional dress codes and high behavioural expectations for all, including school pupils. Schools programmes are notably successful, including a 70 per cent transfer rate to employed apprenticeship. It achieves a 92 per cent pass rate on Young Apprenticeship and, at the other end of the scale, offers graduate apprenticeships and adult apprenticeships. It is a very well equipped and successful GTA with close links to prestige employers.

**LEPs will be critical to setting up these GTAs and it is vital that there are a mix of micro, small, medium and large businesses on each LEP board to represent the skills needs of a geographical area. It is also vital for large businesses to engage with GTAs and LEPs to present smaller businesses with the opportunity to train through the supply chain.**

<sup>6</sup> Definition of a GTA: A Group Training Association (GTA) is a not for profit organisation providing support on accessing and managing training for a group of employers to encourage their involvement in Apprenticeships.

<sup>7</sup> <http://www.apprenticeships.org.uk/About-Us/~media/Documents/Publications/Group-Training-Associations-and-Apprenticeships-Training-Agencies-Prospectus.ashx>