



Federation of Small Businesses

The UK's Leading Business Organisation

Michelle Barnes,
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W3c,
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Sheffield
S1 4PQ

3rd October 2008

Dear Michelle,

RE: FSB response to the Draft Apprenticeships Bill

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading non-party political lobbying group of UK small businesses, existing to promote and protect the interests of all who own and manage their own businesses. With over 215,000 members, the FSB is also the largest organisation representing small and medium sized businesses in the UK.

According to Labour Force Surveys, 69 percent of all apprenticeships take place in small businesses. An inherent problem for businesses with fewer than 10 employees remains the cost to the business of training an apprentice.

The FSB feels that the Minimum Wage increase for Apprentices from £80 to £95 at the Trades Union Congress Conference was a good first step; however, a true renaissance will only occur if an Apprentice can achieve parity with their other working counterparts. The minimum wage for 16-18 year olds is still higher at £124 for a 35 hour working week¹. The FSB believes that this Apprenticeship Bill should provide the platform for equality so that there is value in taking and completing an apprenticeship. The FSB advocates a section in the Bill for an Apprenticeship rate to be set which is on a par with the Minimum Wage (16-18 year old) rate.

¹ Low Pay Commission, National Minimum Wage rates – 1st October 2008



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The wage contribution on offer for taking on an Apprentice is welcome; now the Bill must go one step further and ensure that Apprenticeships are deemed as an equal learning route to working life.

The FSB is concerned of the potential administrative burden for the smallest employers wishing to claim the wage subsidy for apprentices. The LSC have confirmed that they have had a significant under spend on the take-up of wage contribution payments to small businesses and this is largely due to a lack of awareness of the policy. There is also the problem of the policy:

"You can choose to claim either £5 per hour or the actual net hourly rate for employees that are released for direct training with their training provider".²

The FSB believes that the words "or actual wage costs" leads to a bureaucratic process of recouping the true cost of training that many small business simply do not have the time to investigate. Clause 21 of the Draft Apprenticeships Bill should provide duties on the LSC for businesses with fewer than 50 employees to be able to easily access wage contributions.

A recent FSB Apprenticeships Survey of 1,200 small businesses³ found that only 5% of businesses were aware of the ability to claim wage contribution payments for providing time for apprentices to train.

Awareness is not the only problem, small businesses are complaining that the direct payment of wage contribution is not reaching their business bank accounts until three months after Government funded training – this leads to significant concern surrounding their cash flows.

The FSB calls on the Government to ensure the wage contribution policy is better advertised and the payment procedure is more efficient.

What impact the bill will have on current institutional structures?

- Learning and Skills Council

The FSB would like reference made to the fact that the Learning and Skills Council will be abolished by 2010. Small businesses need to be made

²LSC – Train to Gain Website - <http://readingroom.lsc.gov.uk/lsc/YorkshireandtheHumber/yhr-ttg-wagecont-employerbriefingnote-march2007.pdf>

³ FSB Apprenticeships Survey – July 2008. 1,200 respondents
<http://www.fsb.org.uk/policy/images/apprenticeships%20survey.pdf>



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aware of the central funding body for skills, particularly as this is the institution where they will be accessing information on wage contribution.

- Group Training Associations

The FSB supports Group Training Associations if they make it simpler for small businesses to employ Apprentices and removes the burdens of bureaucracy involved in taking on an apprentice. Removal of the employment risk is welcome, however, will it mean that the Group Training Association becomes the employer and if so how will this impact on the rights of the SME and the apprentice.

Is there anything missing from the draft bill?

The FSB is concerned that the Bill does not provide detailed information on which age groups are included within the prospective system. The FSB wholeheartedly supports lifelong learning and apprenticeships being taken at any age, however, the Bill needs to provide clarity as to whether it is simply focussed at 16-18 year olds or whether 19+ are included.

We trust that you will find our comments helpful and that they may be taken into consideration.

Yours sincerely,

Matthew Jaffa

Acting Deputy Head of Policy