



## **FSB plea to save the Graduate Internship Scheme**

February 2011

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Unemployment is rapidly becoming the great socio-economic challenge of our age. Jobless figures continue to rise and it is the youngest who are being hit the hardest. Unemployment in early life has a lasting impact, locking people into lives of low earnings and the recurring risk of unemployment. The Government will need to be bold and imaginative to avert this disaster.

However, in every crisis there is an opportunity and the FSB believes that, as in previous recessions, we have an opportunity to make our society more innovative and entrepreneurial. We believe the Government can achieve this at the same time as boosting jobs, reducing the benefits bill and also increasing revenue for the Treasury.

Traditionally, graduates have rarely gone from university to work in small businesses, but with the structure of economy changing, more graduates than ever before and the need to build an ever more innovative, knowledge based economy, graduates and small businesses need to come together.

Since February 2010, the Graduate Internship Programme has supported paid internships in small businesses for 8,500 graduates. However, this scheme will be scrapped in March 2011. The FSB believes that this is a mistake.

### **What are the benefits of a Graduate Internship Scheme?**

- 25 per cent of the graduates undertaking internships in small businesses are offered full-time employment at the end of their placement<sup>1</sup>
- Young people exposed to working in small businesses are more likely to set up their own business
- Over half of young people (52%) have considered setting up their own business, but less than one in ten (7%) have actually done so<sup>2</sup>
- Of the 270,000<sup>3</sup> businesses established each year it is estimated that just nine per cent<sup>2</sup> are started by people under 35. But around a quarter (24%) of young Britons say their dream job would be to run their own business<sup>4</sup>

**The FSB calls on the Government to retain the Graduate Internship Scheme, and extend it to at least a further 5,000 graduates**

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<sup>1</sup> An Evaluation of East Midlands development agency funded student placement activity and its impact on the region's businesses 2005 – 2007. Step enterprises.

<sup>2</sup> Research commissioned by Virgin Media

<sup>3</sup> Office for National Statistics -The number of births of new enterprises in the UK in 2008 was 270,215,

<sup>4</sup> <http://www.startups.co.uk/the-average-entrepreneur.html>



## Wouldn't that be very expensive?

Under the FSB proposal, extending the Graduate Internship Scheme would cost £8 million. The scheme could be extended further and a small amount of the additional £800 million to be paid by the banks would be well spent offering internships to more graduates. This might sound like a lot of money for short term placements, but the returns on investment are significant.

If the scheme was extended to a further 5,000 graduates, 25 per cent of whom were offered full-time work:

- Benefits payments would be reduced by at least £1.5 million<sup>5</sup> instantly and by a further £3.37 million over the course of a year<sup>6</sup>
- Revenue to the Treasury would increase by over £5.4 million<sup>7</sup>

And furthermore:

- Create a new wave of entrepreneurs and business owners
- Help re-build the foundations for a highly educated, knowledge based private sector economy
- Massively enhance the CV's of graduates, giving them real-life business experience

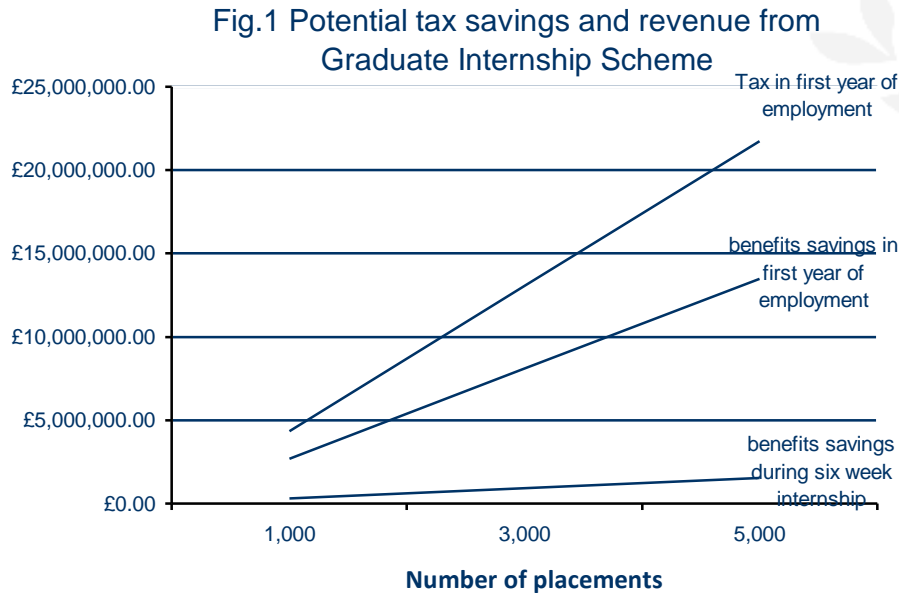
The Graduate Internship Scheme can provide a good return on investment, as well as offering hope and the building blocks for economic recovery and resurgence.

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<sup>5</sup> Currently a graduate on Job Seekers Allowance would receive £51.85 a week. Over the course of a six week placement this would be a cost of £311.10. If 5,000 extra placements were created in small businesses (as with the last Graduate internship scheme) it would mean a saving of over £1.5million in benefits alone.

<sup>6</sup> Based on 25% of graduates being offered a full-time position. by creating 1,250 extra jobs the Government would also save £3.37million on job seekers allowance payments in the first year of employment without taking into consideration other benefits.

<sup>7</sup> If it is assumed that these jobs are offered at £16,000 then each job would return £4,350 of Income Tax and National Insurance to the exchequer in the first year. The tax accrued through creating 1,250 extra jobs (if we take assume that 25 per cent of jobs are offered) would exceed £5.4million.



**What does a small business get from the scheme?**

There are a number of benefits for small businesses that take on graduate interns:

- Improving existing products or services
- Creating new products or services
- Increasing market performance from new marketing opportunities
- Gaining useful skills

Very few small business owners have a degree or employ people who have attended university. Bringing a graduate intern into a business can break down barriers and misconceptions as well as generating a wealth of ideas to the business.

As the case studies below indicate, taking on a graduate intern often allows businesses to achieve development, innovation and growth.



### Case Study 1: Proper Oils ([www.properoils.co.uk](http://www.properoils.co.uk))



Proper Oils is a renewable energy company who collect waste cooking oil from caterers and refine it into biodiesel, which is supplied to local organisations.

The Director of the company Stephen Hurton said:

“The graduate internship was very useful for us

- Primarily it proved that new sales could be made relatively easily
- Secondly, it allowed us to trial the graduates with a view to taking them on as salesman full time

We were able to offer a full time role. She is currently doing a piece work for us, and when she returns from a 2 month trip abroad we hope to employ her full time on a London living wage and commission based salary.

### Case Study 2: [DrivemyCarHome.co.uk](http://DrivemyCarHome.co.uk)

DriveMyCarHome.co.uk is a chauffeur service that drives their customers and their cars home in their own car when they have the car in their possession, but have had a drink.

The company director chose to take part in the internship scheme as they needed knowledge in specialist areas so that they could focus on the strategic side.

DriveMyCarHome.co.uk recruited six interns, one of whom joined the business as a graphic designer. Whilst working with the company he provided creative input into the design of website as well as working on various other design briefs. The company now have a fully functioning website and the intern has gone on to set up his own Graphic design business.



### Case Study 3: Appleby Parva ([www.applebyparva.com](http://www.applebyparva.com))

#### **APPLEBY PARVA** — MADE IN BRITAIN —

Appleby Parva is an exclusive collection of luxury lifestyle goods all made in Britain.

Jim Watson of Appleby Parva said:

“We have just finished with our graduate through Ravensbourne College and it was a fantastic success. We got so much more done than we could have without him.

He was very conscientious and fast with his work and we have ended up with a professional looking website much quicker than would have been possible through a design agency. We will now be employing him ad-hoc as a freelancer”.

The intern that Appleby Parva took on from Ravensbourne College said:

"Appleby Parva is a very energetic start-up company. Through designing the website layout, I learned how to work efficiently in a short time through a range of possible design solutions.

Jim, Max and I were constantly sharing ideas and experiences during my internship. We had a lot of brain storming sessions to find inspiration for practical designs. In addition to website design I was entrusted to take photo shoots for some of the website visual components and e-commerce products.

By taking this responsibility, I gained a deeper understanding of the commercial applications of photography and design. Interning with them has not just improved my design skills, but also broadened my creative, commercial and cultural thinking. I very much appreciated this opportunity from Appleby Parva and the FSB and the grant funding from Ravensbourne”



## How does the Graduate Internship Scheme work?

The Graduate Internship Scheme has been rolled out in different ways around the country, but the basic principles are the same. Under the renewed and revised scheme recommended by the FSB, the £8 million investment would follow the 5,000 places at a cost of £1,600 (spread over six weeks or three months) to cover the minimum wage of the graduate (£1,300) and the remainder to meet University administrative costs (£300). The small business would be responsible for topping up the intern's salary to reach the minimum wage and would also cover travel expenses where appropriate.

### Details of the internship offer:

- The business should offer a full-time internship of six weeks – seven hours a day, five days a week – (or part-time equivalent)
- The business will provide the Higher Education Institute (HEI) with an outline of the work to be undertaken and the training to be provided and, if appropriate, a person specification
- The business will provide travelling expenses to the intern
- The business may take on more than one graduate, either simultaneously or concurrently. In the event of either the intern or the business feeling that the internship is not working, it may be ended by either party
- The business will release the graduate to attend job interviews
- The business will not have to offer ongoing work or a job at the end of the programme but it is encouraged that they provide a reference if asked to do so (Many have said, however, that they would be seeking to employ on a permanent basis if the graduate were suitable.)
- There would need to be clear evidence of some kind of training aspect, and this must be demonstrated to the HEI in question

The FSB would remain committed to the Graduate Internship Scheme and its promotion to members through its local and regional structure.



## Annex A: Graduate internships - analysis of September 2010 monitoring reports

### Background

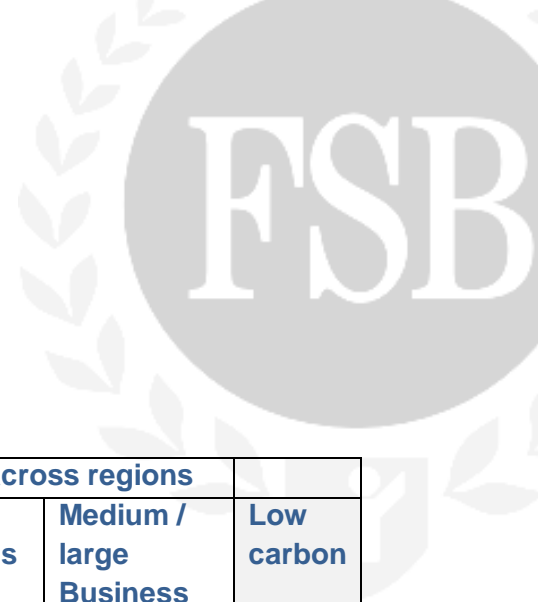
In September 2009 the FSB worked in partnership with the Government to launch a Graduate Internship Scheme, placing graduates in small businesses. According to the Higher Education Funding Council for England (HEFCE), between February and September 2010, the Graduate Internship scheme<sup>8</sup> offered 6,400 internships. This figure will have reached 8,500 by March 2011.

£12.8 million was allocated to support 57 higher education institutions to provide 8,060 graduate internship places at £1,600 per internship. These internships are to assist the increased number of unemployed graduates, and to support (the then) Government's priority sectors for economic growth, including small businesses of less than 50 employees.

### Priority Sectors for economic growth

<b>Sector – Theme</b>	<b>Graduate internships offered by 31 September 2011</b>
Low carbon	464
Digital industry	1777
Life sciences and pharmaceuticals	185
Advanced manufacturing	371
Professional and financial services	1829
Engineering and construction	285
Ageing society	84
Other sectors (small businesses only)	1515
<b>TOTAL</b>	<b>6510</b>

<sup>8</sup> <http://www.fsb.org.uk/graduateinternships>



## Regional spread

Region	Internships allocated	Summary of graduate internships across regions				
		Internships offered by September 2010	Unfilled	Small Business	Medium / large Business	Low carbon
London & East	2483	1645	838	1211	433	101
Midlands & South	3847	3579	268	3115	464	321
North	1730	1286	444	1107	179	42
<b>Totals</b>	<b>8060</b>	<b>6510</b>	<b>1550</b>	<b>5433</b>	<b>1076</b>	<b>464</b>

- Of total offered internships, North = 20%, Midlands and South = 55% and London and East 25%
- Significantly more internships in small businesses
- Most low carbon sector internships in Midlands and South
- The small business total includes all small business activity – not just those in the priority sectors
- 81% of total graduate internship places were offered by 31 September 2010.
- Professional and financial services and digital industry are most popular sector, followed closely by digital industry.