



**FEDERATION OF SMALL BUSINESSES**

**SOUTH EAST POLICY UNIT**

RESPONSE TO THE

SOUTH EAST PLAN FOR APPRENTICESHIP GROWTH

## INTRODUCTION

The Federation of Small Businesses (FSB) is the UK's largest lobbying organisation representing the self-employed and owners of small businesses. Founded in 1974, the FSB now has over 215,000 members across all industry trades and sectors within the UK. In the South East the FSB has over 36,000 members employing over 150,000 people.

The FSB South East Policy Unit (SEPU) is fully supportive of the objectives laid down in the South East Plan for Apprenticeship Growth. We hope that the comments and recommendations put forward by the FSB contribute to the important debate on how to develop a modern apprenticeship system that meets the needs of the small business community.

1. *Does the Plan miss any key points from your perspective:*

- a. **Make the process as simple as possible for small businesses to understand.** There remain too many different bodies engaged in developing the strategy including (but not limited to) Sector Skills Council, Group Training Associations, National Apprenticeship Service, Local Employment Partnerships, Skills South East etc. All small business owners need to know is how best to advertise any apprenticeship opportunities and to be able to secure the right person (with the right attitude) to take on.
- b. **Schools need to prepare students for the workplace.** The main skills that small business owners require for employees to function on the job are literacy, numeracy, communication and basic ICT skills. It should be the responsibility of the schools to ensure that students leave equipped with these skills, and it should not fall on the employer to have to teach them these skills. A recent survey<sup>1</sup> identified that between 13-17 per cent of small businesses encountered shortages in these skills areas in employees aged under 25.
- c. **Address the level of bureaucracy.** A recent FSB Survey on Apprenticeships<sup>2</sup> revealed that 27 per cent of respondents did not employ apprentices due to the amount of bureaucracy involved. The plan must therefore address the issue of reducing the burden of bureaucracy particularly for micro businesses.
- d. **Large Companies must not dominate the Group Training Associations.** We support the development of Group Training Associations as they are a potential method by which the bureaucratic burden on employers could be reduced. They offer an innovative way in which employers can host an apprentice without employing them directly and could reduce the administrative and bureaucratic burden on small employers. However, we feel there is a danger that given the importance assigned by the plan to promoting apprenticeships within large companies they will dominate the Group Training Associations and be able to pick and choose who they want in terms of apprenticeships.
- e. **Clarification of the employment rights.** The removal of the employment risk by the Group Training Associations is a welcome move. However, it will 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.

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<sup>1</sup> Results taken from the FSB Lifting the Barriers to Growth Survey: South East findings based on the responses from 1497 business owners.

<sup>2</sup> FSB Survey on Apprenticeships – July 2008 – 1200 respondents.

- f. **Promote the take-up of wage contribution funding by SME's.** The FSB Survey on Apprenticeships revealed that only 5% of respondents were aware that compensation was available for giving apprentices time off to train. We are concerned by such a low figure and urgent steps need to be taken to promote awareness of the funding to SMEs. However awareness is not the only problem, small businesses complain 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 flow.

2. Do the priorities reflect the actions which you consider need to be taken:

The FSB supports the priorities put forward for achieving the objectives contained in the Plan.

There is only one area in which we would like to see a slight alteration in the focus of the Plan, at present there is too much focus on boosting the number of apprenticeships offered whereas for business owners the most benefit would be derived from increasing the numbers of apprenticeships completed.

Too much focus is on the government target for increasing the number of apprenticeships on offer, before we work towards this goal we first need to demonstrate that more apprentices are successfully completing course. This is the best means to increase business owners' confidence in taking on apprentices and therefore the best means to help boost demand from employers.

3. Are there any ways in which your organisation would or should work with the NAS:

The key to the success of NAS and in particular schemes such as the on-line Apprenticeship vacancy matching and recruitment service for employers will be the rate of take-up by small business owners. The FSB would be a crucial route to help promote NAS to our 36,000 members in the South East.

4. I would like to offer the following comments:

Here are the findings from the 2008 FSB Survey on Apprenticeships:<sup>3</sup>

1. Do you employ apprentices on a recognised apprenticeship programme? (multiple responses allowed)

Yes	26%
No, it is not relevant to my business	6%
No, too much bureaucracy	27%
No, too time consuming	28%
No, it is too costly	28%
No, we have concerns about the quality of trainees	21%
We use our own training schemes	20%
No, other reasons	22%

<sup>3</sup> Op cit.

2. Would you employ apprentices if financial support was available from the government?

Yes	78%
No	22%

3. Would you support an increase in the minimum wage for an apprentice from £80 a week to £110 a week?

Yes	82%
No	18%

4. Were you aware that wage contribution of up to £5 an hour is available for day release time for apprentices?

Yes	5%
No	95%

5. Does the current exemption regime for apprentices make you more or less likely to employ apprentices? (Apprentices below 19 are exempt from the NMW and apprentices aged 19 and over are exempt in the first year)

No impact	72%
More likely	23%
Less likely	5%