A hand is shown holding several pieces of light-colored wood against a darker wooden background. The wood pieces are arranged in a way that suggests they are being examined or prepared for use. The text is overlaid on the center of the image.

MAKE OR BREAK

GETTING APPRENTICESHIP REFORM
RIGHT FOR SMALL BUSINESSES

Published: August 2016

 @fsb_policy

fsb.org.uk

fsb 
Experts in Business

ACKNOWLEDGMENTS

This report was authored by Annie Peate, Education and Skills Policy Advisor, with support from Anthony Impey, FSB member and Chair of FSB's Skills and Apprenticeships Policy Group and the Education and Skills Committee.

Special thanks to FSB's media, public affairs and policy teams, in particular the project team responsible for delivering the report: Anne Mannion, Jack Neill-Hall and Ruby Peacock.

The research was carried out by Verve – the market research agency responsible for administering the survey and conducting the interviews on behalf of FSB. FSB would like to thank Verve for their contribution to this report, including their valuable insights on the research findings.

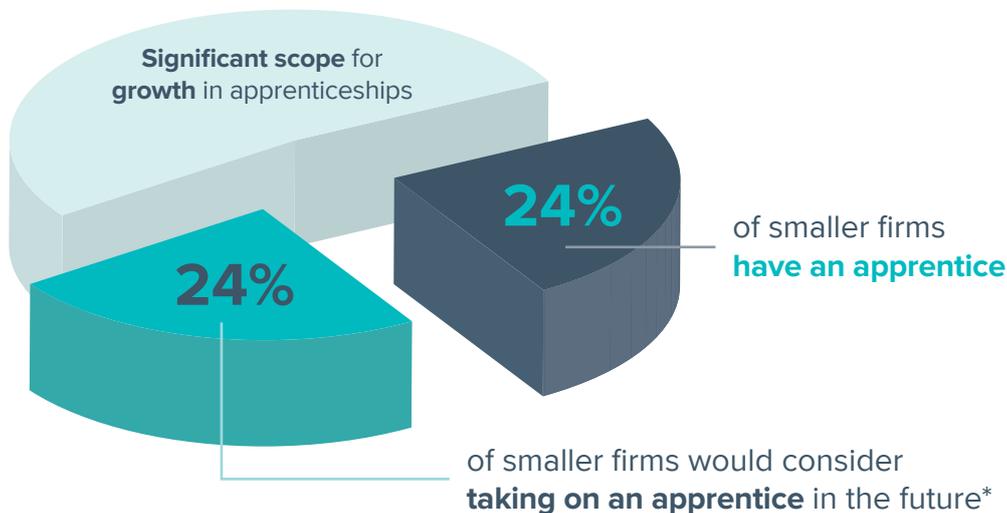
The report was designed by Cactus Design Limited – a small business based in Wales.

Lastly, this report would not have been possible without all FSB members who participated in this research, generously taking the time out of running their small businesses to contribute to this report. Special thanks go to the following FSB members.

Alison Harrison, Harmonea Ltd; Andrew Ponting, DBH Chartered Certified Accountants; Becky Morris, Caring Angels; Gareth Fulford, Purslane Restaurant; Jenny Woodward, The Printed Cup Company; Karen Garrattley, COS Bookkeeping Ltd; Leslie Symons, Electrical Technolo-G Ltd; Lorraine Ager, iSwim; Martin Laws, The Jumpers Rebound Centre; Peta Fee, Impact Apprenticeships; Philip Smye-Rumsby, Smye Rumsby Ltd; Rachel Davis, RT Social; Richard Mellor, Cummins Mellor Recruitment; Richard Dale, Dale & Co.; Simon Luckhurst, Whisper Audio Ltd.

MAKE OR BREAK

GETTING APPRENTICESHIP REFORM RIGHT FOR SMALL BUSINESSES



Typical small business apprentice

- Age: **16-19** years old
- Type of apprentice: **Level 2**
- **79%** recruited as a new employee



Motivations for having an apprentice

- Commitment to giving young people training opportunities - **61%**
- Positive impact on their businesses - **50%**
- Cost-effectiveness - **37%**



SMALL FIRMS AND APPRENTICES

- 1 in 3 say 'a greater financial incentive' would encourage them to employ an apprentice



- 2 in 3 retain their apprentice after the apprenticeship ends



- Only 1 in 4 have been asked by a local school/college to take part in apprenticeship activities



- 1 in 4 say 'lack of time to devote to training an apprentice' is a challenge to taking them on



*This figure refers to smaller firms who currently do not have an apprentice

CONTENTS

Foreword by Martin McTague, FSB Policy Director	5
Executive summary.	6
Small businesses and apprenticeships in England	9
Boosting small business engagement with apprenticeships – the challenge for policy	11
The small business apprenticeship landscape	13
Policy recommendations.	34
Methodology	40

FOREWORD



Martin McTague
FSB Policy Director

Apprenticeships – paid jobs that incorporate on and off the job training – continue to be an effective way of preserving important skills, transferring knowledge and keeping key trades and professions alive and prospering. This report has given us something to celebrate; one in four (24%) small businesses currently have at least one apprentice in their business, which is higher than the national average.¹ Smaller firms understand that apprenticeships make good business sense. It's also good news in terms of retention, with two thirds of FSB members keeping their apprentice once the apprenticeship is complete. Even more promising is that 24 per cent of small businesses say they are considering employing an apprentice in the future.

Of course, there will always be a limit to how far we can go. Sole traders and the self-employed, who do not have growth aspirations, are unlikely to employ new staff or apprentices. However, as we have seen, there is sizeable small business potential to capitalise on. While it is true that larger businesses have stepped-up their engagement in recent years, our research shows that smaller businesses are the real driving force behind apprenticeship growth. In addition they appear to be creating jobs for largely younger people rather than training existing employees.

FSB is a long-standing supporter of the apprenticeship model as a successful way to develop skilled staff in your business, which is why we have our own apprentice. Throughout our research, we have spoken to many passionate small business with powerful stories to tell. However, for every success story there are examples where the apprenticeship system has failed to deliver. It is experiences like these which can lead business owners to give up on apprenticeships before they've even got started, as we identified in our 2012 report, *The Apprenticeship Journey*.²

The wholesale reform of the apprenticeship system is causing growing concern among smaller firms that they could end up losing out. With the Government committed to achieving three million new apprenticeships by 2020, and with small businesses making-up 99.3 per cent of all enterprises in the UK, it is essential these reforms make it easier and cost-effective for smaller businesses to invest in apprentices. We want to see small firms choosing to get involved in apprenticeships because they offer high-quality training that is truly employer-led and represents a sound investment in their future. However, failure to achieve this will result in widespread disengagement from the small business community.

Without question, the future success of apprenticeships continues to lie with our members and small businesses. It is make or break. We are presented with a real opportunity and we have to get it right – never has it been more important to do so.

¹ 'Employer Perspectives Survey 2014', 2015. According to data from UKCES, the national average for the number of establishments (of all sizes) who currently have or offer formal apprenticeships is 15 per cent: available at <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

² FSB, 'The Apprenticeship Journey', November 2012: available at <http://www.fsb.org.uk/LegacySitePath/policy/images/fsb%202012%20apprenticeships.pdf>

EXECUTIVE SUMMARY

“The opportunity to get youngsters into work and training is massive, if we can get it right”

FSB member, education sector, one apprentice (Level 2, Age 16-19)

Apprenticeships are, once again, back on the business agenda. Over the last five years, there has been a resurgence of interest in apprenticeships as a means of recruiting and training people. Our members in England are no exception. One in four FSB members currently have at least one apprentice, and a further quarter (24%) are thinking about employing one in the future. Two thirds of the apprentices are employed by the businesses once their training is complete. They become an important member of a team where each individual brings their own strengths and expertise. We also know that smaller businesses are employing mainly younger people, many of whom are helping them to take their very first steps into the labour market. It's a good time to be an apprentice in a small business.³

Apprenticeships are used to support a business in a number of different ways: to train individuals to perform a specific function within the business, as a way to develop skills and expertise in a particular area and to address important current and future gaps in knowledge. They are also used by organisations that have their sights firmly set on growth and on becoming more innovative businesses.

However, this growth has taken place against a backdrop of significant and seismic changes to the wider policy landscape - not to mention changes in the labour market. These areas include structural youth employment, careers education, information, advice and guidance and wider educational and vocational reform. Government policy around apprenticeships has also continued to evolve as Ministers have sought to make the apprenticeship system both more reflective of the needs of learners and relevant to the skills demands faced by employers. Although larger businesses are often thought of as the driving force behind growth in apprenticeships, small businesses – which make up the overwhelming majority of businesses in England – provide the foundations upon which this growth has been established and delivered.

Small businesses are a critical ally to the Government in helping to achieve their target of creating three million new apprenticeships in England by 2020. It is now make or break to capitalise on the high demand for apprentices, and to sustain the good progress that has already happened with small businesses. It is for this reason that Government must act to ensure that the wholesale changes to the existing apprenticeship arrangements and the reformed apprenticeship system - which includes the forthcoming apprenticeship levy - do not unpick the progress that has already been achieved. Policymakers need to ensure a reformed apprenticeship system provides small businesses with an equitable, financially viable and straight-forward way to recruit and up-skill. Failure to address this will result in widespread disengagement by small businesses.

The aim of this report is to shed light on the nature and extent of small business engagement with apprenticeships and inform Government decision making as it seeks to reform the apprenticeship system. Central to this report is new quantitative and qualitative methods of research (see methodology for more detail). The research highlights the challenges of the apprenticeship system and identifies the issues that can limit the ability of many small businesses to make the most of the opportunities offered by apprenticeships and maximise their role in supporting apprenticeship growth.

SUMMARY OF KEY FINDINGS

Small business engagement with apprenticeships

- There is significant scope for growth in apprenticeships – one in four (24%) small businesses in England currently has at least one apprentice.
- A quarter (24%) of those currently without an apprentice say they are considering employing one in the future.
- A third (32%) of those offering apprenticeships employ more than one.
- Most apprentices (70%) in small businesses are 16 to 19 years old.
- Two thirds of apprenticeships (67%) lead to longer-term employment.
- Level 2 apprenticeships are most common (42%).
- The majority of small businesses generate new apprenticeship jobs - 79 per cent recruited as a new employee from outside the business.
- Social impact is important to small businesses when recruiting apprentices. Key motivations include a 'commitment to giving young people training opportunities' and a recognition of the 'positive impact that apprentices can have on a business'.⁴

Sources of information

- Almost half (48%) of FSB members sought information directly from a local external training organisation or provider prior to taking on an apprentice.
- The general lack of information about apprenticeships, both in terms of content and navigability of resources, is hindering their growth.

Cost-effectiveness and financial support

- Over a third (37%) cited cost-effectiveness as a key reason for taking on an apprentice, but increased financial burden risks many abandoning apprenticeships.
- Only half (50%) of surveyed small businesses were aware of the Apprenticeship Grant for Employers of 16 to 24 year olds (AGE Grant).
- Only a quarter (24%) have used the AGE Grant to take on their apprentices.

Challenges to engaging with apprenticeships

- A third of small businesses do not feel apprentices leave school with the appropriate skills for work, with 32 per cent saying that the quality of apprentices is a major challenge.
- A third (31%) worry about day-to-day management of an apprentice alongside other business responsibilities.
- A quarter (26%) say they lack time to devote to train an apprentice.

Engaging with education

- A quarter of small businesses surveyed (25%) have been approached by a school or college to take part in apprenticeship activities.
- Small businesses are willing to engage with education in general, but would do more if the opportunities were available.

⁴ FSB Apprenticeships Survey, April 2016

POLICY RECOMMENDATIONS

1. Target growing businesses and think locally

- Government should identify businesses which are looking to grow, or are in the process of growing, and equip them with the information and support they need to consider taking on apprentices as a key part of their wider recruitment and skills strategy.
- Apprenticeship growth in small firms should be supported through responsive and flexible local employment and skills strategies. Local Enterprise Partnerships (LEPs) should be encouraged to prioritise the development and implementation of an apprenticeship plan and policymakers should set out how they intend to work with the 39 Growth Hubs in England. No future devolution deals should be agreed without having a prominent place for apprenticeships as part of their broader skills strategies.

2. Improve information and support to small businesses looking to engage with apprenticeships

- Tailor communications and support around different types of small businesses according to their growth aspirations rather than the number of staff they employ.
- Create a dedicated area for small business on the National Apprenticeship Service (NAS) website containing practical, step-by-step guidance on recruiting, managing and developing apprentices.
- Introduce an Apprenticeship Investment Calculator to help small businesses work out the cost of training an apprentice, to plan how it will be paid and assess the return on their investment. This should be made available on the Digital Apprenticeship Service (DAS).
- Introduce a specialist Small Business Apprenticeship Helpline to engage with the small business market and help support them transition to the new apprenticeship funding arrangements.

3. Widen access to apprenticeships for small businesses and individuals alike

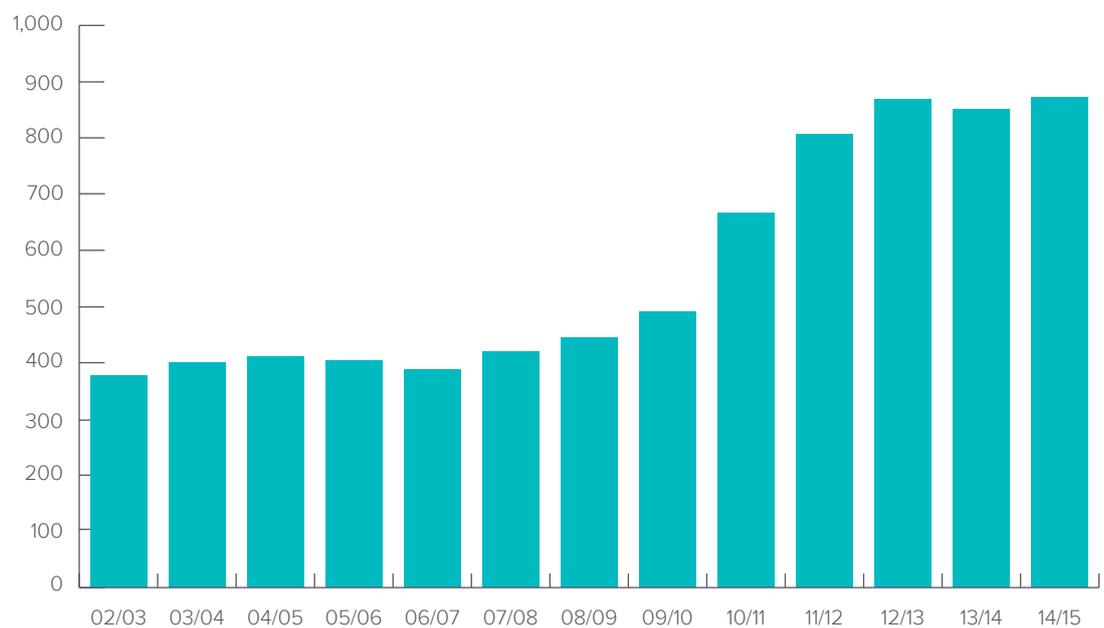
- The move to require small businesses to contribute towards the cost of training their apprentice will result in a reduction in apprenticeships offered. To limit this, we call on the Government to provide a more generous small employer incentive to ensure that extra support is targeted towards the smallest firms that can least afford the extra upfront costs of taking on an apprentice. The payment schedule for the small employer incentive should also be changed, so that payments are received from day one and on a monthly basis, as opposed to 90 days after the apprentice starts.
- Government should prioritise the development of digital infrastructure to allow levy-paying supply chain leaders to spend their digital apprenticeship vouchers on training for apprentices in small businesses in their network.
- With support from FSB, Government should convene and coordinate a group of **100 small businesses ('FSB100')** to critique and contribute to apprenticeship policy, including Trailblazers, in order to ensure that their interests and requirements are reflected in the new standards.
- The Institute for Apprenticeships should ensure that individuals from small businesses participate in the proposed panels of professionals, convened to advise on the new standards in each of the 15 technical routes outlined in the Post-16 Skills Plan.
- Government should prioritise the publication of its Careers Strategy to improve awareness of apprenticeships among young people, teachers and parents.
- The Careers & Enterprise Company should ensure that its network of Enterprise Advisors has the right guidance to engage small businesses in educating young people about apprenticeships.
- Local authorities and combined authorities should plan bus routes which follow journey to work patterns and are integrated with other services. The Government's Total Transport pilot should be evaluated and, if found to be successful, expanded to help create a denser transport network in rural communities.

SMALL BUSINESSES AND APPRENTICESHIPS IN ENGLAND

Apprenticeships have experienced a surge in popularity amongst those wishing to learn, as well as employers of all sizes, over the last five years. Overall, between 2010/11 and 2014/15, 2.4 million apprenticeship starts were made.⁵ Although official Government figures show fluctuations in the number of people beginning apprenticeships⁶ and a recent plateauing of employer take-up of apprenticeships⁷ since 2010, interest in the route from individuals and businesses alike has remained high.

Figure one: Apprenticeship participation in England since 2002/03, thousands⁸

Source: BIS FE data library: apprenticeships



At 5.4 million, smaller firms make-up the vast majority of businesses in the UK – most of which are microbusinesses⁹ - and are, therefore, critical actors in the apprenticeship system. It is estimated that seven in ten of all employers with apprentices have fewer than 24 employees and that a fifth of all workplaces with apprentices have fewer than five employees¹⁰. In contrast, the largest employers (with in excess of 50 employees) make up just 17 per cent of employers with apprentices.¹¹

However, there is potential for further growth. Just 19 per cent of small businesses in the UK have offered formal apprenticeships in the last three years, of which 16 per cent were microbusinesses (0-9 employees), a third small businesses (10-49 employees) and 41 per cent medium-sized firms (50-249 employees).¹²

⁵ House of Commons Library Briefing Paper, 'Apprenticeship Statistics: England (1996-2015)', Number 06113, January 2015: available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06113> Notes: Academic years (August 1st to July 31st). Numbers are rounded to the nearest hundred.

⁶ Ibid

⁷ There has been a 17 percentage point reduction in the number of employers offering apprenticeships for less than three years since 2014, Department for Business, Innovation and Skills, 'Apprenticeships Evaluation 2015 – Employer Summary Report', BIS Research Paper Number 288, May 2015: available at <https://www.gov.uk/government/publications/apprenticeships-evaluation-employer-survey-2015>

⁸ House of Commons Library Briefing Paper, 'Apprenticeship Statistics: England (1996-2015)', Number 06113, January 2015. Note: Data prior to 2002/03 are not directly comparable to later years as substantial changes were made: the Modern Apprenticeship system was abandoned and the upper 25 age limit was removed. Data from 2011/12 onwards are not directly comparable to earlier years: available at <https://www.gov.uk/government/publications/apprenticeships-evaluation-employer-survey-2015>

⁹ House of Commons Library Briefing Paper, 'Business Statistics', Number 06152, December 2015: available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06152>

¹⁰ Department for Business, Innovation and Skills, 'Apprenticeships Evaluation 2015 – Employer Summary Report', BIS Research Paper Number 288, May 2015: available at <https://www.gov.uk/government/publications/apprenticeships-evaluation-employer-survey-2015>

¹¹ Ibid

¹² Department for Business, Innovation and Skills, 'Longitudinal Small Business Survey: Year 1 (2015) SME employers', BIS Research Paper Number 289, May 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522364/bis-16-227-sme-employer-report.pdf

Smaller firms in construction (34%), education (33%) human health (29%) and manufacturing (24%) offered the highest proportion of formal apprenticeships. This potentially reflects the long-standing tradition of using apprentices in a number of these sectors and greater familiarity with vocational and technical education. In contrast, a smaller proportion of businesses in transport and storage (10%), professional and scientific services (12%), information and communication (14%) and administrative services (14%) offered apprenticeships.¹³

As this research shows, the role of smaller businesses in providing apprenticeships should not be undervalued and there is significant scope to increase the volume and variety of apprenticeships on offer across a range of sectors and industries. The contribution that individual small businesses make to the overall apprenticeship landscape can be difficult to determine, and less visible than that of larger businesses. However, as a cohort, small businesses are an influential force in the apprenticeship system.¹⁴

¹³ Ibid

¹⁴ UKCES, 'Employer Perspectives Survey 2014', 2015. According to data from UKCES, the national average for the number of establishments (of all sizes) who currently have or offer formal apprenticeships is 15 per cent; available at <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

BOOSTING SMALL BUSINESS ENGAGEMENT WITH APPRENTICESHIPS – THE CHALLENGE FOR POLICY

Boosting small business participation in apprenticeships continues to be an issue facing policymakers. This is, in part, due to the limited capacity of smaller enterprises to provide employment opportunities. It can also be attributed to a lack of a dedicated HR function, availability of internal progression and promotion, type of business premises and location, and constraints in terms of time, resource and cost. However, given that 99.3 per cent of businesses in the UK are smaller businesses, the focus on supporting smaller firms to offer apprenticeships is vital to realising the Government's target of creating three million new apprenticeship starts by 2020.

In recent years, policymakers have attempted to address these obstacles. In 2012, the Government commissioned Jason Holt, CEO of The Holts Group and owner of a number of independently run SMEs, to review the difficulties smaller businesses experience in accessing and offering apprenticeships.¹⁵ This review made a number of recommendations, including raising awareness of the benefits of apprenticeships, empowering SMEs to get the best from their training providers, encouraging peer-to-peer support between businesses leading to the development of Apprenticemakers¹⁶, and simplifying ownership and responsibility for the apprenticeships programme and removing barriers. Also in 2012, the Apprenticeship Grant for Employers of 16-24 year olds (AGE Grant) was introduced to stimulate investment in apprenticeships by smaller firms by offsetting any direct and indirect financial impact of taking on a young person. Despite this and other support of this type, smaller firms engagement with apprenticeships in England has remained patchy.

There is now a unique opportunity to address these and other challenges facing small businesses as part of ongoing reforms to the apprenticeship system. Government has acknowledged the 'significant scope for growing apprenticeships in particular sectors and among certain types of employers, such as the public sector and smaller employers' in official reform plans.¹⁷ The success of these reforms, including plans to introduce an apprenticeship levy in April 2017 and changes to the apprenticeship funding model, will depend on how well policymakers can create an apprenticeship system which is informed by, and reflects the needs of, smaller businesses in England – including those shared in the next section of this report. As such, a key focus of apprenticeship reform must be on creating the conditions which facilitate participation by small businesses in apprenticeships, instead of implementing changes that cause these enterprises to scale-back or withdraw their offering altogether, which would be severely detrimental for the system as a whole.

¹⁵ Holt, J., 'Making apprenticeships more accessible to small and medium-sized enterprises: A review by Jason Holt, CEO, Holts Group of Companies', May 2012: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34731/12-891-making-apprenticeships-more-accessible-to-smes-holt-review.pdf

¹⁶ Apprenticemakers aims to support a greater take up of apprenticeships amongst small and medium businesses (SMEs). The project is led by the Small Firms Enterprise Development Institute (SFEDI) and was grant assisted by the National Apprenticeship Service up to 31 March 2016: available at <http://apprenticemakers.org.uk/>

¹⁷ HM Government, 'English Apprenticeships: Our 2020 Vision', December 2015: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf

THE APPRENTICESHIP LEVY

On 6 April 2017, an apprenticeship levy will be introduced by Government to help fund apprenticeships in England as part of wider changes to the funding for apprenticeship training for all employers.¹⁸

The levy (paid through the PAYE process) will apply to employers operating in the UK, including businesses in Wales, Scotland and Northern Ireland, and will be charged at a rate of 0.5 per cent. Each employer will have an allowance of £15,000 per year to offset against the levy, meaning employers with a payroll of over £3 million will be liable.

The levy allowance will operate on a monthly basis and will accumulate throughout the year, so that any unused allowance will be carried from one month to the next. Once employers have paid the levy to HMRC, they will be able to access funding for apprenticeships through a new Digital Apprenticeship System (DAS) to pay for training and assessment for apprentices in England.

Employers that won't have to pay the apprenticeship levy

Official estimates suggest that only two per cent of employers¹⁹ will be liable to pay the levy, which means only some larger SMEs will have to pay. Smaller businesses will be asked to make a contribution towards the cost of training or 'co-invest'. The Government will pay the rest, up to the maximum amount of funding available for that apprenticeship. The Government is yet to confirm the proposed rate of support it will provide to employers. However, it has confirmed that unspent levy payments will be ring-fenced for administrating the system and to fund apprenticeships in small firms. Payments will be negotiated, agreed and paid directly to the chosen training provider and will be spread over the lifetime of the apprenticeship, to an agreed schedule.

Employers that do not pay the levy will not use the DAS to pay for apprenticeship training and assessment until at least 2018. The Government is currently considering whether to allow businesses that are paying the levy to use the funds they accrue in the digital apprenticeship service to fund training for other businesses, such as smaller businesses in their supply chain.

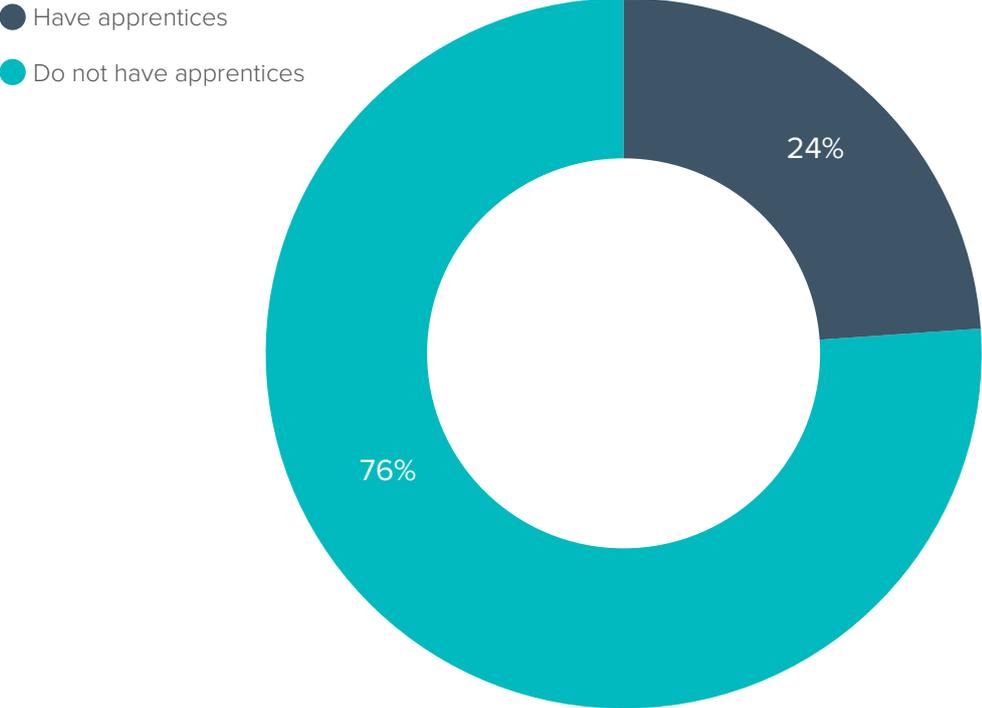
¹⁸ The apprenticeships levy is forecast to raise £2.7 billion in 2017-18, £2.8 billion in 2018-19, £2.9 billion in 2019-20 and £3 billion in 2020-21. Source: HM Treasury, Budget 2016, March 2016 available at <https://www.gov.uk/government/publications/budget-2016-documents>

¹⁹ House of Commons Library, Apprenticeships Policy: England, Briefing Paper Number 03052, 8 March 2016: Available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN03052#fullreport>

THE SMALL BUSINESS APPRENTICESHIP LANDSCAPE

Small business engagement with apprenticeships

Figure two: Number of apprentices in smaller firms
Source: FSB Apprenticeships Survey 2016



One in four (24%) respondents in England currently have one or more apprentices in their business, which is 9 per cent above the national average.²⁰ This suggests that, although the total number of smaller firms with an apprentice is relatively low, as a group, small businesses perform relatively strongly in terms of their contribution to the total number of apprenticeships in England. In contrast, as Figure two shows, around three-quarters (76%) of respondents currently have no apprentices, demonstrating a clear need for more to be done to engage small businesses in apprenticeships and address the barriers preventing them from doing so.

²⁰ UKCES, 'Employer Perspectives Survey 2014', 2015. According to data from UKCES, the national average for the number of establishments (of all sizes) who currently have or offer formal apprenticeships is 15 per cent: available at <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

Figure three: By size of business, smaller businesses with and without apprentices

Source: FSB Apprenticeships Survey 2016

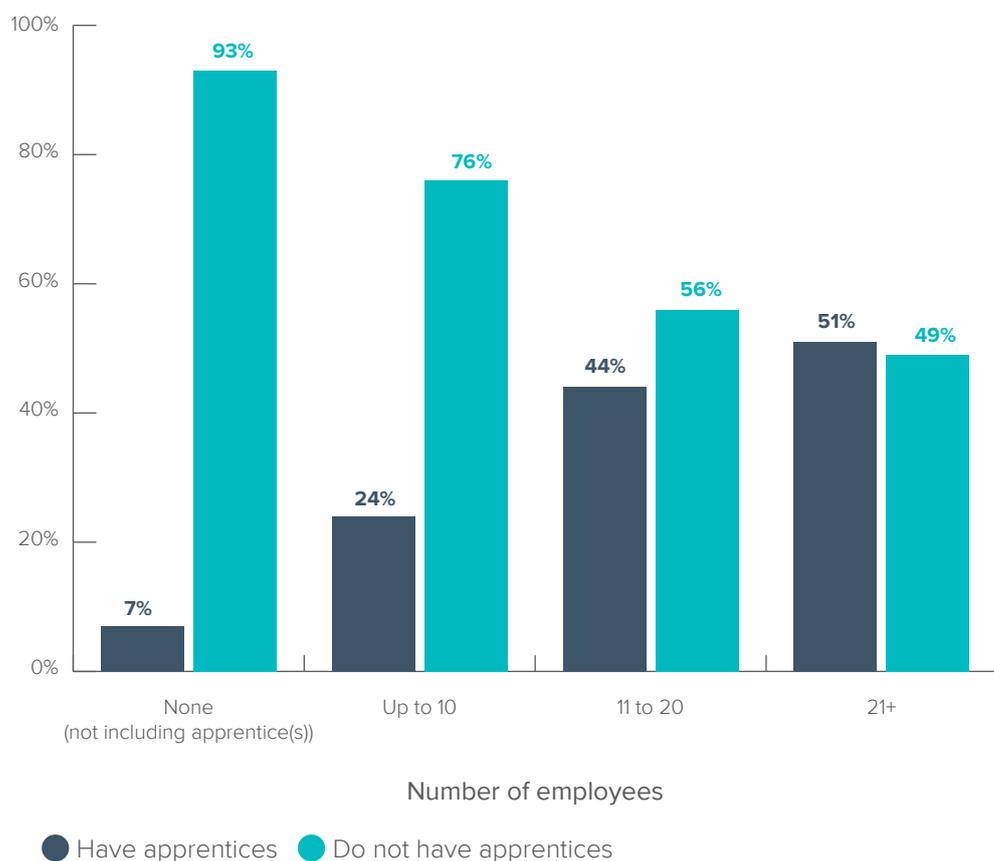


Figure three shows that microbusinesses collectively employ the greatest number of apprentices. However, the share of businesses currently employing apprentices is higher among businesses with 21 or more employees at 51 per cent (compared to 44% of respondents with 11 to 20 staff, 24% of microbusinesses and just 7% of self-employed or sole traders). In other words, there is evidence of a positive correlation between the size of business and their involvement in apprenticeships.

Few sole traders currently employ an apprentice. This finding is not entirely surprising, given that many of these respondents run their business from their home and would have an extremely limited capacity to take on additional staff.

17 per cent of respondents with apprentices operate in manufacturing, 14 per cent work in wholesale and retail and 13 per cent are in construction, echoing the data in the previous chapter. This could be explained by the long-standing tradition of recruiting apprentices to address current and future skills shortages and greater awareness of vocational and technical training. However, sectors with the largest proportion of respondents currently without at least one apprentice in their business are arts, entertainment and recreation (85%), accommodation and food service activities (84%) and professional, scientific and technical activities (83%).

With the exception of mining and quarrying, every sector contains at least one small business offering apprenticeships.

WHAT DO APPRENTICESHIPS IN SMALL BUSINESSES LOOK LIKE?

Number of apprentices in small businesses

The majority (68%) of smaller firms with apprentices currently in their business have just one apprentice, although almost a third of respondents employ between two and five apprentices (see Figure four). Microbusinesses are more likely to employ a greater number of apprentices per business, with 42 per cent currently employing between two and five apprentices, versus 27 per cent of businesses with 11-20 employees and 26 per cent of respondents with 21+ employees.

Figure four: Number of apprentices in each small business
Source: FSB Apprenticeships Survey 2016

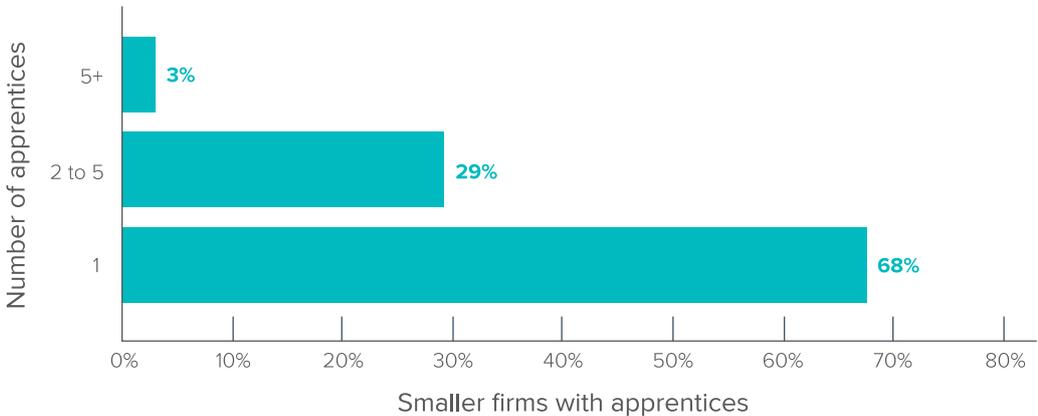
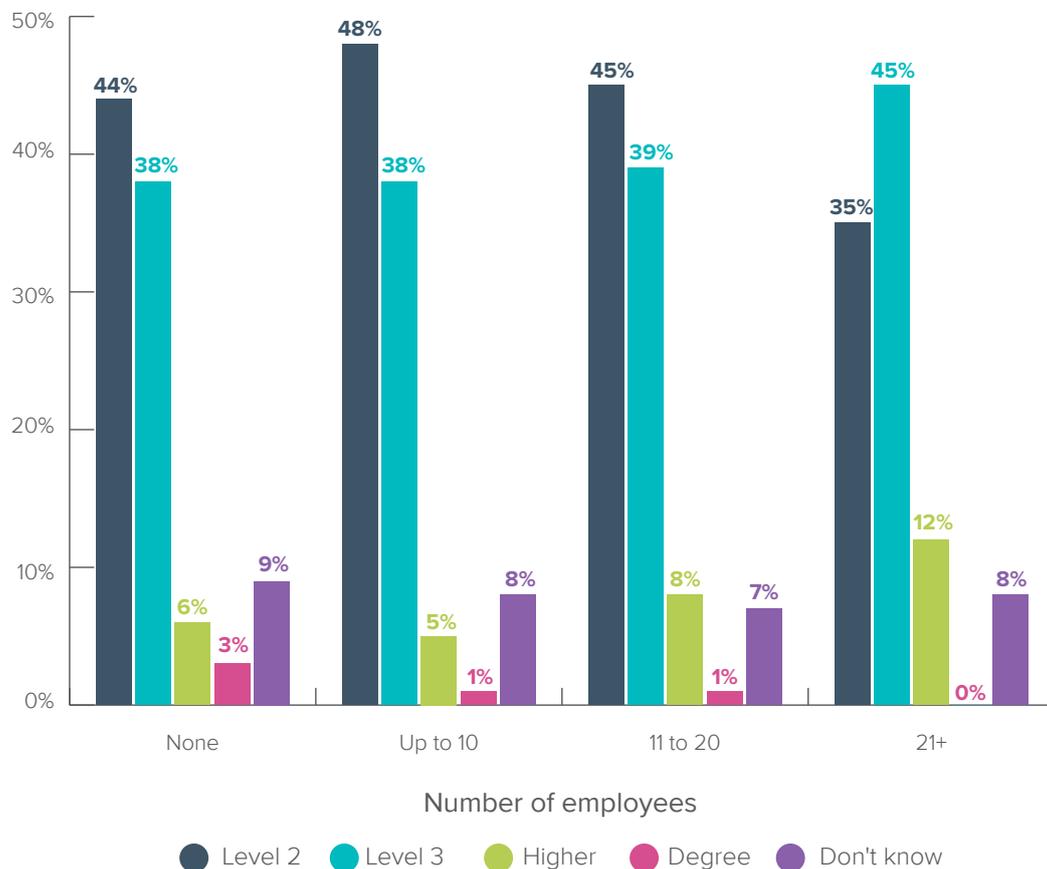


Figure five: Level of apprenticeships offered by smaller businesses, by business size
Source: FSB Apprenticeships Survey 2016



Level of apprenticeships

FSB members were also asked to provide information on the level of the majority of apprenticeships in their business. Overall, almost half (45%) said they mainly offer Level 2 apprenticeships, equivalent to five GCSE passes at grades A* to C. Broadly speaking, these results are in line with official Government statistics which find that 60 per cent of all apprenticeship starts in England in 2014/15 were at Level 2.²¹ As Figure five shows, this trend is visible across businesses of all sizes, with the notable exception of respondents with 21+ employees - the majority of which offer Level 3 apprenticeships.

On average, 39 per cent of all respondents with apprentices said they mainly offer Level 3 apprenticeships, which are equivalent to two A-level passes. This is an encouraging finding as it demonstrates that smaller enterprises are interested in developing employees with higher level skills and view apprenticeships as an effective way to successfully achieve this.

Significantly fewer respondents have apprentices working towards higher and degree apprenticeships at present.

21 House of Commons Library Briefing Paper, 'Apprenticeship Statistics: England (1996-2015)', Number 06113, January 2015: available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06113>

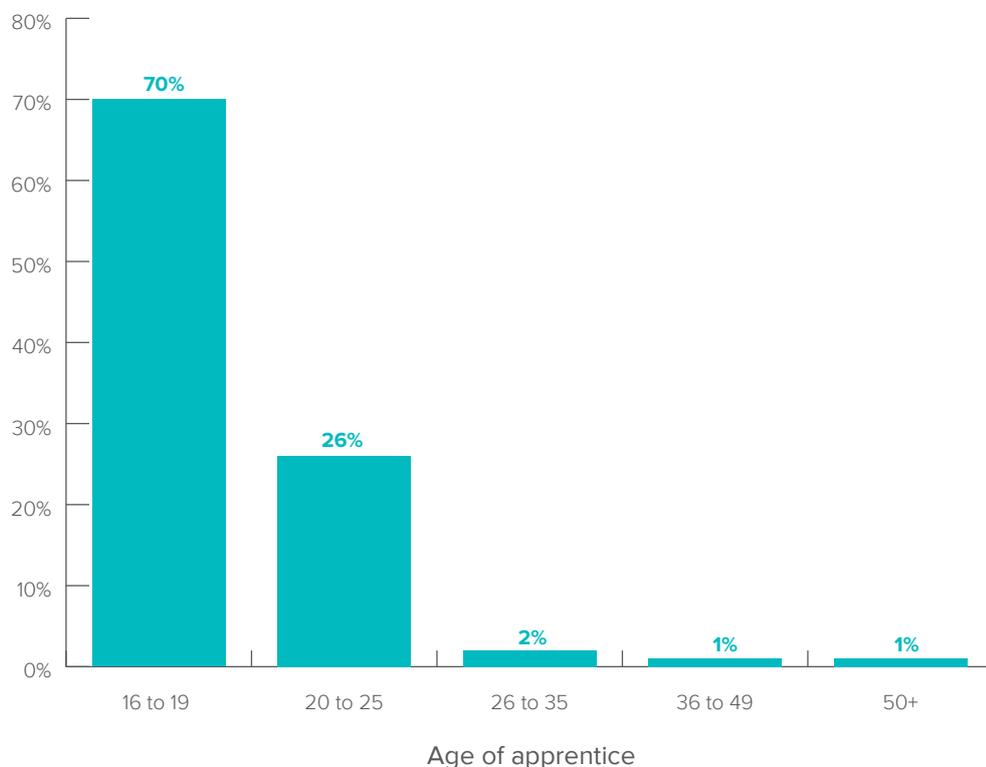
Age of apprentices

As Figure six demonstrates, the average age of the majority apprentices in the businesses surveyed is 16 to 19 years old (70%), which reflects the national average.²²

Currently, the Government funds all of the cost of the training if the apprentice is aged 16-18, which may, in part, account for the high number of respondents with apprentices in this age range (although this will be subject to change under plans to reform the apprenticeship system). However, the predominance of smaller firms taking on 16, 17 and 18 year-old apprentices defies the wider national trend of businesses offering apprenticeships to those aged 25 and over and which has seen the highest number of apprenticeship starts than any other category (in 2014/15, 214,000 of the total 499,900 starts were by apprentices over 25).²³ It also implies that, while the general business population may be using apprenticeships to train existing employees or older individuals who may have worked before, smaller businesses appear to be providing mainly new opportunities to young people entering the jobs market and are, therefore, a vital source of job creation.

A quarter of FSB members' apprentices are 20 to 25 year old. The majority of these apprentices are undertaking a Level 3 apprenticeship. However, a similar proportion are doing Level 2. Furthermore, as you would expect, there is a positive correlation between the age of apprentices and the level at which they are studying. Most apprentices in this age range are in manufacturing, education and construction.

Figure six: Average age of apprentices in a small business
Source: FSB Apprenticeships Survey 2016



²² UKCES, 'Employer Perspectives Survey 2014', 2015. UKCES data found that 74 per cent of employers offered formal apprenticeships to people aged 16 to 18 years old (19 per cent only offered to this age group); available at <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

²³ House of Commons Library Briefing Paper, 'Apprenticeship Statistics: England (1996-2015)', Number 06113, January 2015; available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06113>

Sources of information

Information – both in terms of access to it and content – plays an important role in guiding, advising and, ultimately, encouraging small businesses to take on an apprentice. Almost half of respondents sought information directly from their local external training organisation or provider (48%) with larger small businesses – those with 11 employees and over – most likely to favour this approach (51%).

NAS is the second most popular source of information for small businesses with apprentices (28%). It is worthwhile noting that the FSB survey pre-dated the launch of the Government’s Get In, Go Far²⁴ advertising campaign, so cannot be used to assess its success. However, these results seem to indicate that the Government is not as effective as training providers at connecting with the small business community. As the comment below demonstrates, a number of small businesses who took part in follow-up interviews reported difficulties with the NAS website in particular, saying it lacked information suited to smaller businesses.

“I have known other small businesses like mine who have thought about taking on an apprentice, but then they go to National Apprenticeship Service website and it doesn’t contain the information they need in order to understand the process. To me, the advantage of taking on an apprentice is that you can train an apprentice to meet your business needs, and I think the Government isn’t giving people that insight.

Someone running a small business has so many responsibilities that you can only spend so much time working things out before giving up.”

FSB Member, wholesale and retail, one apprentice (Level 3, Age 20- 25)

Worryingly, 16 per cent of respondents ‘did not seek any information before taking on an apprentice(s)’. This is a higher share than those who consulted GOV.UK for information on apprenticeships (14%).

Table one: Sources of information smaller firms consulted before taking on an apprentice

Source: FSB Apprenticeships Survey 2016

Source of Information	%
Local external training organisation	48%
National Apprenticeship Service (NAS)	28%
I did not seek any information before taking on an apprentice(s)	16%
GOV.UK	14%
FSB	9%
Local Council	8%
Peer to peer	8%
Other, please specify	8%
Local Enterprise Partnership (LEP)	6%
Other internet sites	6%
Don’t know/Not sure	5%
Department for Business, Innovation and Skills	4%
Department for Education	3%
Chamber of Commerce	3%

²⁴ Available at www.getingofar.gov.uk

Few respondents turned to their LEP for guidance on apprenticeships (6%). LEPs are important in identifying local skills needs and also in supporting the delivery of apprenticeship growth, yet, as these findings appear to suggest, small businesses may either not currently consider their LEP to be a useful source of support or it may not have a compelling offer around apprenticeships.

APPRENTICEMAKERS – WORKING WITH GROWTH HUBS

Apprenticemakers, run by the UK Sector Skills Body for Enterprise (SFEDI), is a project that supports discussion and information sharing between apprentice employers and which was developed in response to a recommendation in the Holt Review in 2012. Over the past two years, it has also developed into an additional impartial information hub for employers²⁵ and, increasingly, those tasked with developing apprenticeships knowledge in their SME communities. A recent example is the BEST Growth Hub in Southend, which wanted to ensure that the Growth Hub team and partner organisations were familiar with how apprenticeships worked for small businesses and felt confident and enthused in discussing this within their communities.

Sophie Hardwick, Project Director at Apprenticemakers

“One way to spread the word about apprenticeships to small businesses is to increase the knowledge of apprenticeships amongst those that have regular contact and established relationships with them. These people are key influencers, so it’s great to get them up to speed with the latest developments and excited about the benefits of apprenticeships for the businesses they work with.”

Georgia Searle, BEST Growth Hub

“With the upcoming changes to Apprenticeships and the funding available, we felt it was a good time to find out more and decided to run a training session for, not only the Growth Hub team, but also for our partner organisations on apprenticeships. The Apprenticemakers training seemed the obvious choice because, not only do you receive in-depth training, but you can also use their wealth of resources when speaking with businesses – we have included these on our website also. Everyone that attended found the session useful and informative, even some of the specialist skills officers learnt something new.”

Peer-to-peer networks are particularly important to the self-employed and sole traders when gathering information on apprenticeships. According to our research, businesses with no employees are twice as likely as businesses of up to 20 employees, and five times more likely than respondents with 21+ staff, to ask other businesses for advice. Therefore, if a business has a bad apprenticeship experience, it is likely that this feedback will be shared with others in their immediate network.

Other sources of information sought by respondents before taking on apprentices, but which were not provided in the list of options, were associations and professional bodies for example, the British Industries Printing Federation, Construction Industry Training Board (CITB) and Engineering Construction Industry Training Board (ECITB), Google and schools.

Recruiting and retaining apprentices

Our research also explored where our members typically recruit most of their apprentices from and what happens to them once they have completed their apprenticeship.

Most FSB members with apprentices (79%) recruited them as new employees from outside the business specifically for the role. In addition, a further 12 per cent of small businesses reported using a combination of both external and internal recruitment to find their apprentices. In total, therefore, 91 per cent of businesses with apprentices surveyed employed apprentices as new recruits. Conversely, research shows that large employers are more likely to provide apprenticeships for their existing employees²⁶, suggesting that small businesses are providing more new apprenticeship opportunities than larger enterprises. Supporting smaller firms

25 Holt, J., 'Making apprenticeships more accessible to small and medium-sized enterprises: A review by Jason Holt, CEO, Holts Group of Companies', May 2012: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34731/12-891-making-apprenticeships-more-accessible-to-smes-holtreview.pdf

26 UKCES, 'Employer Perspectives Survey 2014', 2015: available at: <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

to continue to do this in a reformed apprenticeship system is crucial to sustain and grow apprenticeships in England.

It is also worthwhile noting that most smaller firms with apprentices aged 16 to 19 years old recruited them from outside the business (83%), whereas apprentices aged over 20 years old tended to be sought from inside the business.

Past FSB research suggests that the ability to retain apprentices is a significant concern for small businesses, which can influence their decision to invest.²⁷ Encouragingly, just over two-thirds (67%) of respondents said their apprentices usually stayed in the business. Official data shows that around two-thirds (65%) of apprentices remain with their employer, typically around 12-18 months, after completing their apprenticeship²⁸. This suggests that the retention rate of survey respondents aligns with that of the national rate for all sizes of employer.

The highest rate of retention can be seen among apprentices aged 20 and above (62% v 55% for 16 to 19 year olds).

Of those smaller firms who retained most of their apprentices, 56 per cent kept the majority in the role for which they were trained, 6 per cent started them in another role using the skills they learned during their apprenticeship and 5 per cent said their apprentices moved across to another role following additional training. This shows that many small firms are making effective use of the skills, knowledge and expertise gained by their apprentices and are willing to invest further in their apprentices' development and progression within the business.

Just 10 per cent of respondents did not usually retain apprentices once they had completed their training. This is not necessarily a negative outcome, as small businesses fulfil a wider role in upskilling individuals for their sector or industry.

"I have lost one former apprentice to another local business once he'd qualified because he wanted to work on HGVs. I felt proud of the very good feedback I received from his new employer, but it's up to my business to retain former apprentices with good, well paid jobs. Hopefully, we will retain the current apprentice when he qualifies"

FSB Member, wholesale and retail, one apprentice (Level 3, Age 16 – 19)

According to research by the Government, 53 per cent of employers attribute the departure of their apprentice to another employer offering them other or higher paid employment.²⁹

In this research members had an option to select "other" in relation to retention of apprenticeships. This highlighted a number of different reasons for apprentice retention.

"Retaining the apprentice depends very much upon the health of the business at the time that they finish their apprenticeship"

FSB Member, hair and beauty, two apprentices (Level 2, Age 16-19)

"This is the first apprentice, but we hope he will stay - we are using the apprenticeship as a way of reducing hours of an employee before retirement with a view to the apprentice taking over that position."

FSB Member, health and social work, one apprentice (Level Higher, Age 16-19)

"We have only one apprentice and this is our first one. We will retain him if he decides to pursue a career in our specialist area."

FSB Member, information and communication, one apprentice (Level 2, Age 16 -19)

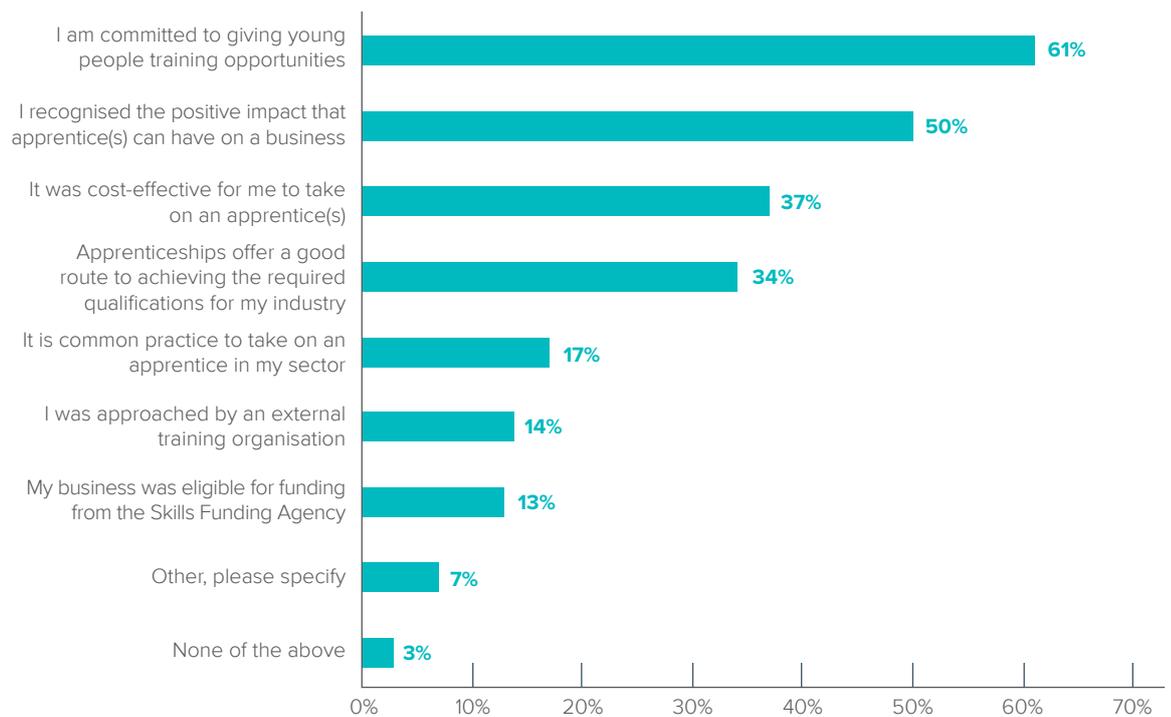
²⁷ FSB Scotland, 'Modern Apprenticeships: The Small Business Perspective', September 2009: available at http://www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/rpu/scotland/assets/publi_spec_apprent_sep2009.pdf?Status=Master&sfvrsn=0

²⁸ Department for Business, Innovation and Skills, 'Apprenticeship Evaluation 2015 – Employer Summary Report', May 2016: available at <https://www.gov.uk/government/publications/apprenticeships-evaluation-employer-survey-2015>

²⁹ Ibid

MOTIVATIONS FOR TAKING ON APPRENTICES

Figure seven: Motivations for taking on apprentices
Source: FSB Apprenticeship Survey 2016



61 per cent of small business members said that they were motivated by their ‘commitment to giving young people training opportunities’, demonstrating the significance and influence of altruism when making decisions on apprenticeships. Self-employed individuals and sole traders were most likely to identify this as a key driver of apprenticeship activity (although, as this report has demonstrated, this level of good-will does not necessarily translate into apprenticeship opportunities). A desire to provide a pathway into work for young people was one of the top three factors in the majority of sectors (in particular for those in wholesale and retail) and across business of all sizes.

“I have a background in education (I used to be a teacher and educational psychologist) so I have always had an interest in bringing young people on, if you like to look at it that way. I was also very disturbed at the time to see the number of young people out of work and couldn’t find anything to do— so it seemed an interesting thing to try and do.”

FSB Member, wholesale and retail, one apprentice (Level 3, Age 16-19)

Another significant motivation for employing apprentices is recognition of the business advantages – or the business case – to apprenticeships, with 50 per cent saying they recognised the positive impact that an apprentice could have on their businesses.

The ‘cost-effectiveness’ of apprenticeships also emerged as a key driver for over a third (37%) of respondents and was a recurring theme in many of the follow-up interviews with small businesses. Although eligibility for funding did not feature in the top three motivations driving engagement with apprenticeships overall, at 68 per cent, it is the third most influential factor in decision-making for microbusinesses. Eligibility for funding also appears among the top three reasons for taking on an apprentice, according to respondents in most sectors. Funding, therefore, is an important factor in encouraging small businesses to invest in apprenticeships, particularly, as our findings suggest, for firms who have grown or are in the process of growing.

The view that apprenticeships offer a good route to gaining the required qualifications for particular

industries is also an important stimulus identified by over a third (35%) of respondents – particularly those operating in manufacturing. This highlights the importance of apprenticeships in developing industry-recognised expertise and placing it firmly in the top five key drivers influencing small business engagement with apprenticeships. Similarly, the importance of observing and maintaining a long-standing tradition of providing apprenticeships is another clear motivation for recruiting apprentices in particular sectors, including construction (19%), manufacturing (15%), wholesale and retail (22%).

The factors that drive small business engagement with apprenticeships are complex and require further analysis outside the scope of this report. However, it is clear that the cost of apprenticeships, evidence of a clear business case, the ability of apprenticeships to give individuals recognised qualifications and a commitment to giving opportunities to young people are key considerations for investment.

ALIGNING APPRENTICESHIPS WITH GROWTH

For Jenny Woodward, Managing Director of The Printed Cup Company, taking on apprentices is an effective way of developing the skills the business needs as it grows. The Printed Cup Company are a manufacturer of bespoke printed paper cups.

“The Printed Cup Company has been trading for 11 years. Around four years ago, we made the decision to re-shore and we opened a production unit in Clitheroe, Lancashire. We now employ 40 staff, the majority of whom are full-time. It’s really gone from nothing to quite a lot in a short space of time!

“We started employing apprentices as soon as production started. We have taken on two apprentices in engineering and production. We are now in the process of taking on another apprentice in engineering and production. As an ex-teacher involved in education for 30 years, getting youngsters involved in our industry is high on my priority list. We have a lot of people here on work experience and we work with the local university to provide internships or placements, so it was important for me to bring in a young person to train to our standards - and that’s what we’ve done.

“We try and provide a progression route for all staff at whatever level and experience. We actually took on an apprentice four years ago. He finished his production apprenticeship, then did his Leadership NVQ. He now works in Sales. He has turned out to be a brilliant sales person.

“It’s not always easy. It’s a very complicated world out there, and keeping up with what’s happening in education is hard. Taking on an apprentice is a big step. The time that’s involved in making sure everything is up to date and that the student knows our expectations...we are lucky that we now have former apprentices who are now taking on apprentices and understand how it works.

“In production terms, we have gone from nothing to 14 machines in a short space of time. We try and employ local people, involve local business, local colleges and local universities. Apprentices are an important part of this.”

Challenges to taking on apprentices

Identifying aspects of the apprenticeship system that make it challenging for small businesses to get involved is fundamental to unlocking the solutions to support growth in the number of smaller enterprises employing apprentices. Failure to address these challenges, against a backdrop of significant forthcoming changes to the apprenticeships system – in particular, funding arrangements in England – will result in widespread dissatisfaction amongst smaller enterprises and could lead to scores disengaging from apprenticeships altogether.

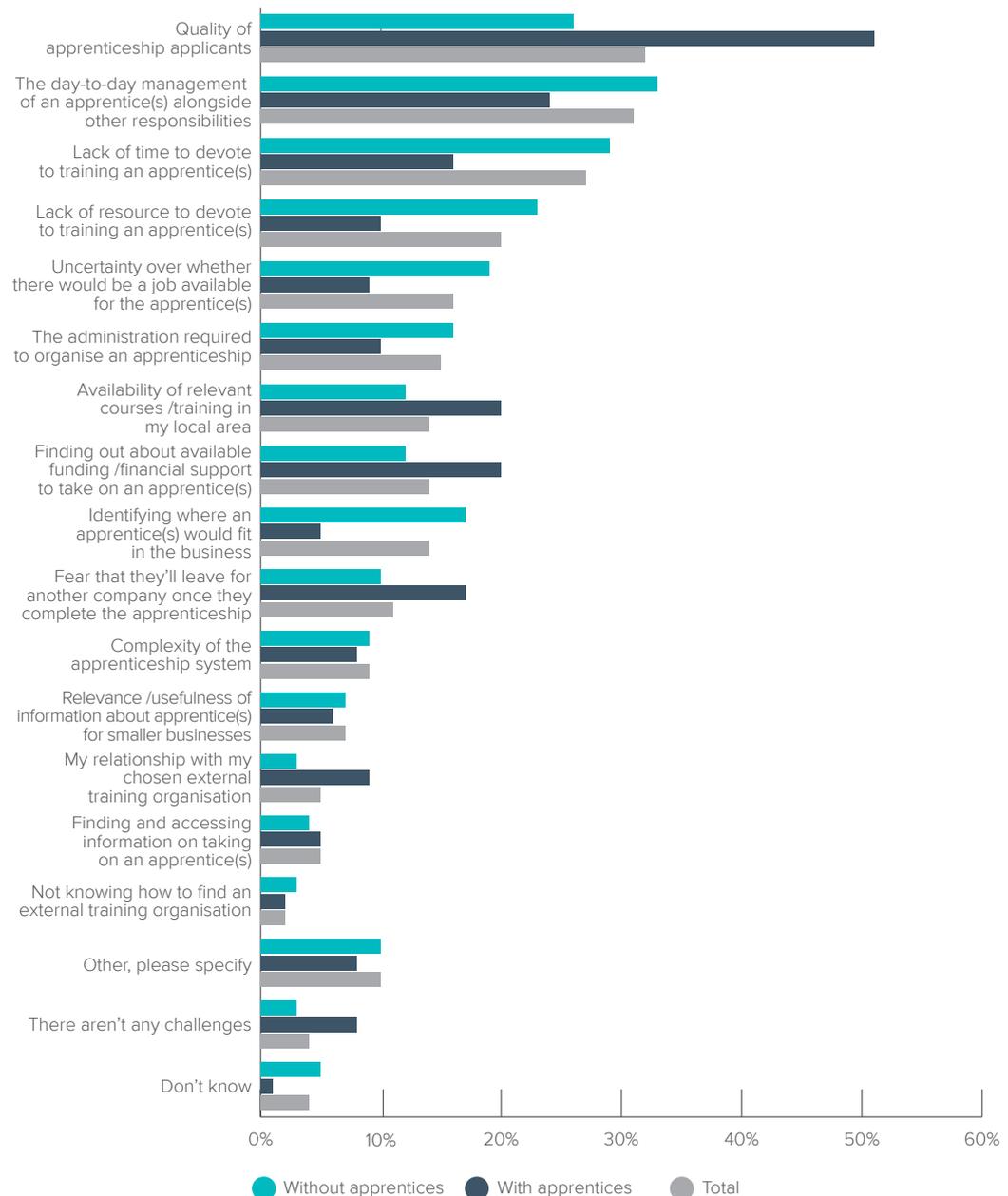
FSB members – including business owners who do not currently have apprentices in their business – were asked to select up to three challenges from a list provided. By doing so, it has been possible to identify the challenges selected by respondents with direct experience of the apprenticeship system, and issues which may be based on previous involvement or personal perception.

Overall, smaller firms indicated that the most challenging aspect to taking on an apprentice was “the quality of apprenticeship applicants” (32%). Almost double the number of small businesses with an

apprentice believed quality to be a greater issue than respondents without an apprentice (51% v 26%). This suggests that this is a challenge that has been informed by first-hand experience of the apprenticeship system and one which needs addressing through apprenticeship reform.

However, challenges associated with running a small business and individual capacity featured prominently in respondent selections. 31 per cent identified ‘the day-to-day management of an apprentice alongside other business responsibilities’ and 26 per cent reported a ‘lack of time to devote to train an apprentice’ as presenting major obstacles to engagement. Unlike apprentice quality, this time respondents without apprentices said management poses the biggest challenge to taking on apprentices (34% v 24%), which is a less important factor for firms who are currently managing one or more apprentices on a daily basis. In contrast, respondents without apprentices identified lack of time as the second most significant challenge to engaging with apprentices (29%), while just 16 per cent of respondents with apprentices agreed this is the case, placing it in sixth place overall.

Figure eight: Challenges to taking on apprentices by smaller firms with/without apprentices at present
Source: FSB Apprenticeships Survey 2016



Many respondents took the opportunity to highlight the challenges posed by the financial implications associated with taking on apprentices, particularly in light of the recent changes to employment legislation, and the need for an apprenticeship which prepares an individual to work in a small business.

“The costs are not supported by funding, at a time when our wages budget is under pressure from auto-enrolment and national living wage legislation. Also, the lack of cross disciplinary apprenticeship courses; like most very small businesses, our staff are not dedicated specialists in one area, and an apprentice could learn a lot, but across a portfolio of skills.”

FSB Member, wholesale and retail, no apprentices

“The overall cost of employing an apprentice is too high for me to ever consider taking on another apprentice. We ran a four year scheme and the £1,500 did not come anywhere near the first year costs.”

FSB Member, manufacturing, one apprentice (Level Higher, Age 20-25)

“The financial implications of employing an apprentice are significant. I would need a minimum subsidy of £7k a year and totally free training for a 19-year-old starter for the first year.”

FSB Member, professional, scientific and technological activities, no apprentices

One survey participant suggested that small businesses do not take on apprentices because they worry about dealing with employment issues that, in larger businesses, would be the responsibility of the HR department.

“I know that others worry that, once their apprentice qualifies, that I wouldn’t have enough work for them and I would be stuck with a very experienced member of staff. If an apprenticeship contract is two years long, how will you know that you will have a post at the end? It’s a level of uncertainty that can put off businesses without an HR department or expertise in employment law. You don’t know where you stand.”

FSB Member, accountancy firm, no apprentices

As this interviewee goes on to highlight, the way apprenticeships are structured can also be problematic for smaller firms with fewer staff, making them a less attractive proposition and appear less ‘geared-up’ for businesses for their size.

“Whereas in larger firms apprentices are set into different departments, in mine they would be expected to help out everywhere. That is where we start to run into problems. Apprenticeships seem to be geared for firms with 20+ employees – not the average business in the UK with more like four employees. Also, one of my clients who used to take on apprentices was required to attend college for two whole days, which just isn’t practical for a small business.”

FSB Member, accountancy firm, no apprentices

Finally, accessing training, attracting candidates and managing the day-to-day life of an apprentice can be a challenge for smaller businesses in rural areas due to a lack of transport links and connectivity. Poor transport connectivity can significantly limit rural businesses’ ability to engage with apprenticeships and prevent young people from taking advantage of apprenticeship opportunities, as a number of survey respondents demonstrated.

“We were very lucky to find a 17-year-old apprentice who could drive, but we have had real trouble with transportation. We struggle with being a rural business. In our location, there are no buses that connect with the colleges, and we have had two or three people who were interested in our apprenticeship, but who said they couldn’t get here – I was even looking at picking them up at one stage!”

FSB Member, swimming school, one apprentice (Level 3 , Age 16-19)

“I have tried on two occasions to find an apprentice, but our location (poor bus service) half a mile from a bus stop means no one is interested.”

FSB Member, wholesale and retail, no apprentice

As this section shows, small businesses see a number of significant barriers to taking on apprentices. However, it also exposes clear differences in the viewpoints of those with apprentices and those without. For example, for businesses with apprentices, concern around the more practical aspects of the apprenticeship system, including finding out about and accessing funding, availability of training and retaining apprentices, is greater. However, there is less emphasis on challenges related to lack of time and resource. This is encouraging, as it dispels the myth that apprentices are burdensome to all businesses.

In contrast, businesses with no apprentices are worried about the potential impact of an apprentice on the business, the supervision and administration required and the longer-term ability to accommodate them in the business. This could be due to the fact that many of them have not employed an apprentice before.

THE IMPORTANCE OF SUPPORTING SMALL BUSINESSES THROUGH THE APPRENTICESHIP PROCESS

Karen Garrattley, owner of COS Bookkeeping, took on her first apprentice last year. Karen reflects on the support she needed as a small business owner to get the apprenticeship up and running.

“I started my business 25 years ago - the day after my daughter was born, when I found out the company I worked for had ceased trading. My business provides a bookkeeping service, both on-site and remote. We run classroom courses and offer to sit down with people and look at their bookkeeping process and systems. We are based in Urmston, Manchester and have seven employees and manage around 40 sub-contractors. My daughter runs the office and my son become our first apprentice last November, studying a business admin apprenticeship. He is a great asset, but he does have to work with his sister and his mother!

“The reason I went down the apprenticeships road is because I had a great experience working with two apprentices employed by one of my clients. After successfully completing their apprenticeship, they have now become the Marketing Team for my client and I still work with them – they are brilliant.

“When we decided my son would be an apprentice, I telephoned the apprenticeship helpline to ask them some questions. They were very helpful and, eventually, I was contacted by the local college. My overall experience has been ‘ok’, but I feel we didn’t get enough support. There was no initial meeting with the college to discuss with me how it would work. My son sees someone from the college for a couple of hours every few weeks, but I don’t know how to help him in-between. I do think the employer needs support, especially a small employer who doesn’t necessarily have the resources required to train the apprentice.

“The AGE Grant application caused a bit of an issue. My son started his apprenticeship in November, but the official paperwork for the Grant wasn’t emailed to us until February. I then apparently sent the completed form to the wrong place – I followed the instructions on the form, but was told later that I should have sent it back to the college as they needed to do things with it first; it was all very unclear about what we had to do. The process itself wasn’t convoluted, but someone from the college should have come down and filled the forms in with us instead of saying it would be dealt with later. It is now approaching August and we still haven’t been paid the grant and haven’t been able to establish if the forms have been processed successfully. We are used to paperwork - when we take on a new client we have a lot of paperwork to complete from contracts to money laundering procedures, but we have a nice simple online system!

“Completing the apprenticeship assessment has been difficult too. The questions assume the apprentice is working in a factory or building site. Not at all geared up to suit all businesses. We had a bit of an argument with the college about some of the questions. One of the questions asked us to list our ‘union’ and say who we are governed by – we don’t have a union and are not governed by anyone. Our apprentice was told that all businesses have a union and, if he left the question blank, he would be marked down. So, things like that didn’t suit our business at all.”

SME INVOLVEMENT IN TRAILBLAZERS

Trailblazers are groups of employers who work together to design apprenticeship standards and assessment approaches. They were introduced by the Government in October 2013 with the aim to improve the quality of apprenticeships and make them more industry-relevant. In December 2015, it was reported that over 140 Trailblazers had collectively delivered – or are in the process of delivering – over 350 apprenticeship standards.

These apprenticeship standards must meet a range of criteria³⁰, including that they have the support of smaller businesses. In order to support more small businesses to take part in Trailblazers, the Government set up the Trailblazer Small Business Travel Fund to cover appropriate and justifiable travel and subsistence claims. However, Trailblazers only need to provide evidence that at least two businesses with under 50 employees have been involved in the development of the standard and deem it fit for use.

A report by the Education Select Committee suggests that larger firms have dominated the Trailblazer process and the time and resource commitment required acts as a barrier, particularly to small and microbusinesses³¹. Our survey also uncovered little evidence of significant involvement in Trailblazers, with only two per cent of respondents saying they had taken part in a Trailblazer and a further eight per cent saying they were aware of Trailblazers but had not taken part. In total, 44 per cent of businesses were unaware of Trailblazers and 31 per cent were unsure.

“I imagine bigger businesses have a lot more clout around apprenticeships. It’s the same with Trailblazers.... I’ve read about them, and I would be interested in taking part, but there isn’t an obvious access point for someone like me to get involved. In the retail sector, it seems to be highly dominated by big business. It seems to have nothing to do with small business like mine.”

FSB Member, wholesale and retail, one apprentice (Level 2, Age 16 - 18)

Encouragingly, there is scope to increase small business involvement in Trailblazers, with 12 per cent of survey respondents interested in taking part in the future.

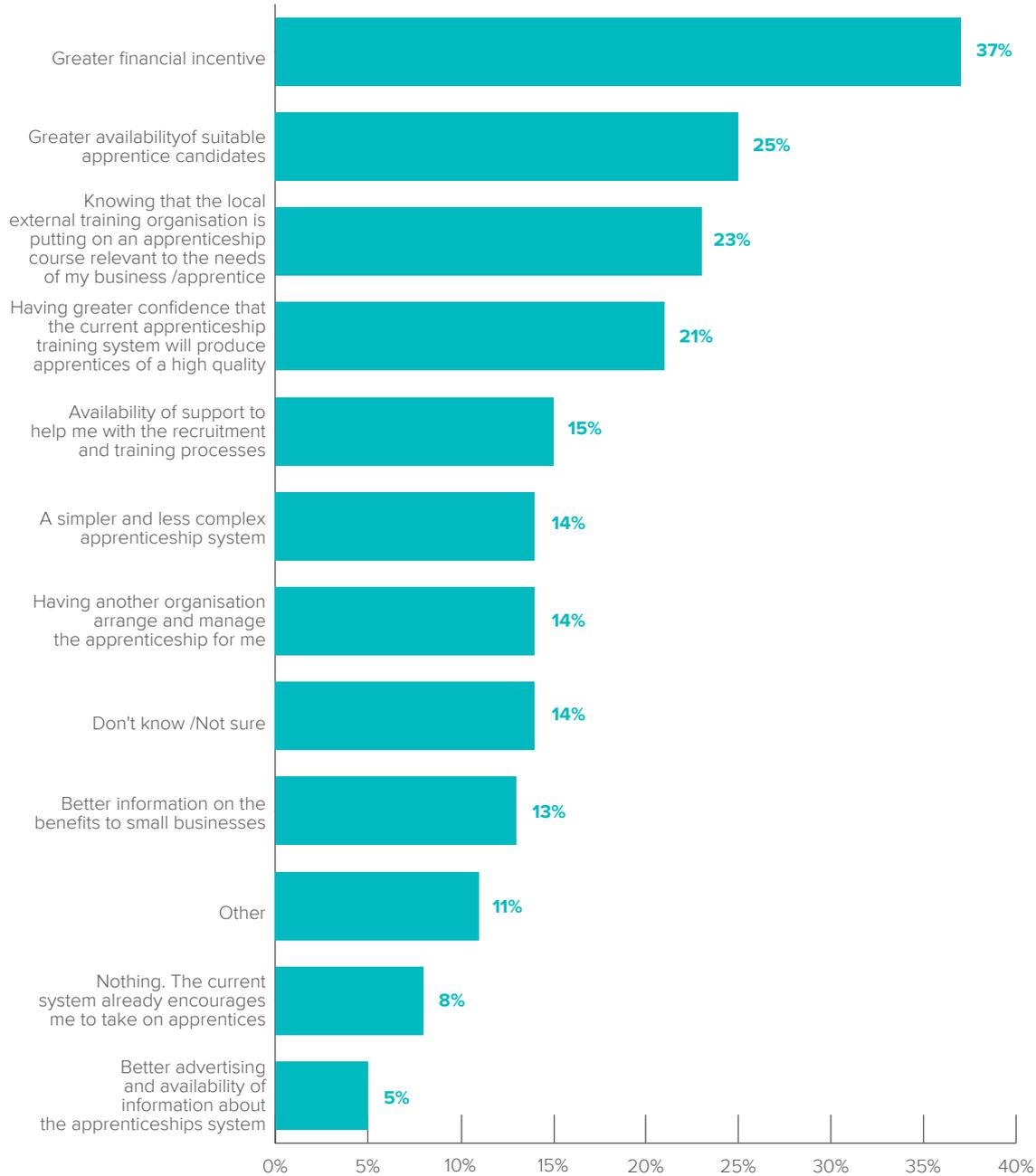
³⁰ HM Government, The Future of Apprenticeships in England: Guidance for Trailblazers, from Standards to Starts, December 2015

³¹ House of Commons Education Select Committee, ‘Apprenticeships and Traineeships for 16 to 19-year-olds’, 4 March 2016: available at <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmeduc/597/597.pdf>

Incentives to engage with apprenticeships

Over a third (37%) of respondents said 'greater financial incentive' would encourage them to increase their involvement in apprenticeships, as Figure nine shows.

Figure nine: Incentives that would encourage smaller firms to bring an apprentice into their business
Source: FSB Apprenticeships Survey 2016



Overall, a quarter (25%) of smaller firms reported that a 'greater availability of suitable apprentice candidates' would incentivise them to reconsider their decision to not employ apprentices. This reflects wider dissatisfaction with the quality of candidates from half of the businesses. Similarly, 21 per cent agreed that 'having greater confidence that the current apprenticeship training system will produce apprentices of a high quality' would encourage them to increase revisiting their current level of investment.

These same incentives feature in the top three answers selected by respondents with apprentices. However, a higher proportion of businesses without apprentices said that ‘knowing that the local external training organisation is putting on an apprenticeship course relevant to the needs of my business’ would incentivise them to be involved in apprenticeships (22%). As our survey findings have previously shown, external training organisations serve an important function in not only supplying apprenticeship training, but in informing and guiding small businesses.

Figure nine shows that ‘information about apprenticeships’ and ‘information on the benefits to small businesses’ do not appear to be barriers to taking on apprentices – despite these being two issues which came out strongly in follow-up interviews as being something which requires greater attention. This may be down to some respondents believing they already understand what an apprenticeship is and have a good working knowledge of the system, whether this is the case or not.

THE APPRENTICESHIP GRANT FOR EMPLOYERS OF 16 TO 24-YEAR-OLDS

In addition to the abolition of employer Class 1 National Insurance contributions for apprentices under 25 from April 2016, certain businesses can apply for the Apprenticeship Grant for Employers of 16 to 24-year-olds (AGE Grant). Eligible employers can receive up to five grants in total and each grant is worth £1,500. For some areas – namely, Greater Manchester, Sheffield City Region and West Yorkshire Combined Authority – the AGE Grant is managed locally and is subject to different eligibility criteria.

The AGE Grant will be available for eligible apprentices who started their apprenticeship on or before 31 July, 2017 but will not be available for apprenticeship standards.

In our survey, we asked respondents whether they were aware of the AGE Grant and to indicate if they had used it. Half (50%) of all respondents were aware of the AGE Grant, with those currently with apprentices in their business demonstrating the greatest awareness (70%). In addition, around half (24%) of those who said they were aware of the AGE Grant had used it in the past or were currently using it to take on apprentices.

A number of respondents who took part in qualitative interviews said that, despite being aware that financial support was available, it was their training organisation which brought the AGE Grant to their attention and encouraged them to apply. In addition, a number of respondents highlighted issues they had encountered in applying for, and receiving, the AGE Grant.

“The AGE Grant was easy enough to access – you have to put it in your diary after 13 weeks to get it, so, when I next see my provider, I will ask them what’s going on. I’m out of the office a lot, but it’s still down to me to do the chasing. The AGE Grant is a good incentive, but it should be available to everyone. You can only do it once a year and, if the Government is trying to encourage more small firms to take on apprentices, then this eligibility criteria should be relaxed. Also, the Government should think about increasing the amount businesses receive by level. We are looking at bringing in a Higher apprentice into the finance office, and it would be good if there were a larger incentive for that.”

FSB Member, manufacturing, three apprentices (Level 2, Age 20-25)

Making more businesses aware of the existence of support like the AGE Grant at an earlier stage in decision-making could have helped to boost the number of apprenticeships on offer in smaller businesses.

Despite this, many of the businesses interviewed mentioned a number of positive outcomes associated with the AGE Grant, including being able to offer their apprentice opportunities which ultimately improved the quality and relevance of their training.

“The fact the AGE Grant existed and we were eligible to receive it didn’t mean we set out to employ someone that age. However, as my business is cash-strapped at the best of times, the grant was very useful. Because of the grant I could pay for experiences that she wouldn’t have had otherwise – for example, I could pay for a first aid course for my apprentice, she attended a conference relevant to our sector which involved paying for someone else to mind the shop, paying to attend the day itself and covering the travel expenses. Having that money allowed me to give my apprentice a richer experience.”

FSB Member, wholesale and retail, one apprentice (Level 3, Age 16-19)

Future intentions to take on apprentices

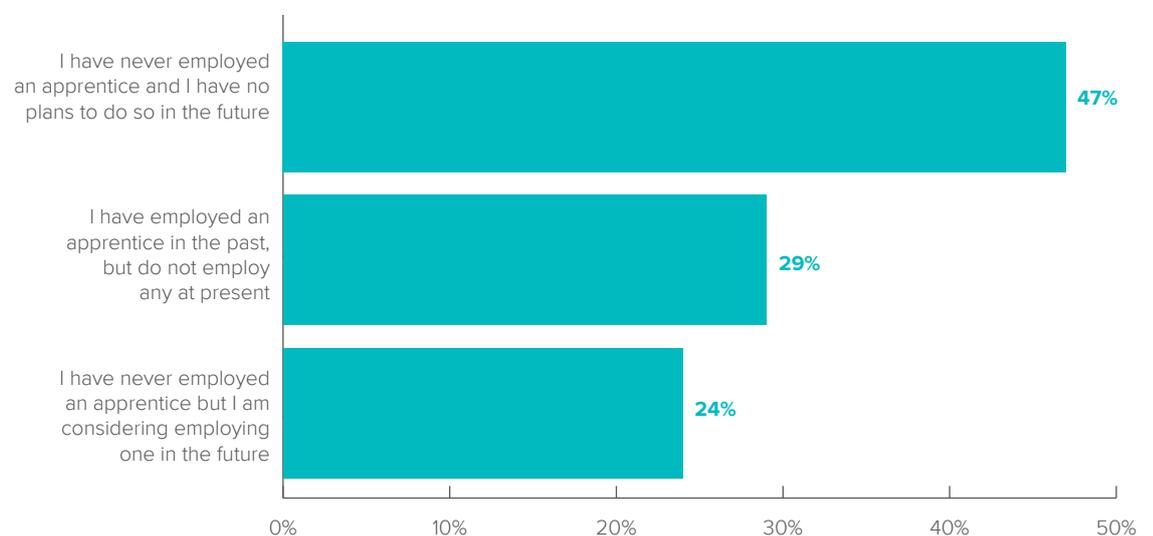
One in four respondents (24%) with no apprentices at present said that they were considering employing one in the future. Of those open to employing apprentices in the future there is the greatest potential among microbusinesses. In addition, as the size of a business increases, so does their willingness to consider taking on apprentices in the future. This is an encouraging finding for policymakers looking to boost growth in the number of employers offering apprenticeships.

However, as Figure 10 illustrates, 47 per cent of respondents without apprentices said they had no plans to take on an apprentice in the future. Businesses with no employees were least likely to explore apprenticeships in the future, with 67 per cent of respondents saying this was the case.

Research by IFF Research and commissioned by The National Apprenticeship Service³² to identify employers with similar characteristics and attitudes towards apprenticeships has uncovered a number of distinct ‘employer segments’ - Growth, Maintain, Retain, Dormant Fluctuating, Dormant Exiting, New Entrants, Unengaged and Unaware. According to this research, 50 per cent of businesses in England can be categorised as Unengaged, the majority of whom tend to be microbusinesses that do not anticipate growth in the near future. Government, therefore, should focus investment on targeting businesses that are trying to grow instead of using resources to engage the 50 per cent of businesses that are not, and do not wish to be, a part of the apprenticeship market in the immediate future.

Figure 10: Future intentions of smaller firms on apprenticeships

Source: FSB Apprenticeships Survey 2016



³² IFF Research, National Apprenticeship Service - Employer Segmentation, May 2016

The research also examined the different reasons why smaller firms do not want to have an apprentice in the future.

“I am sure I would have to comply with various other rulings that are liable to cost me and I’m sure I’d be in the office doing paperwork for him/her instead of working.”

FSB Member, wholesale and retail, no apprentices

However, a number of smaller firms attributed their lack of appetite to engage to their belief that apprenticeships are unsuitable for their business, in particular the roles or jobs they have on offer.

“We do not believe there is a course which would relate to the production roles within our business. We supply into the screen-printing market. We have looked into one area, which was colour matching, however could not find anywhere near that could assist.”

FSB Member, printing industry, no apprentices

The recently published Post-16 Skills Plan³³, informed by the recommendations of the Independent Panel on Technical Education³⁴, outlines proposals to create 15 new routes to technical education. Each of these new routes will include a single common framework of employer-based standards covering two modes of learning – college-based (for example, a two-year, full-time study programme) and employment-based, typically an apprenticeship. The aim is that, by September 2022, all 15 technical education routes will be taught.

On the one hand, this proposal is a significant step towards simplifying the system and should be welcomed. However, in the process of creating a framework of standards that is sector-specific as opposed to job-role specific there is an inherent risk that businesses continue to view apprenticeships as being unsuitable for their business if they cannot be tailored to individual jobs or roles. In addition, while, for business paying the apprenticeship levy there is an incentive to continue to take on apprentices smaller firms have no such incentive to engage and growth in apprenticeships could be halted.

Engaging with education

All respondents were asked whether they had been approached by a school or college to take part in activities designed to inform young people about apprenticeships. Increasing awareness of apprenticeships among young people, teachers and parents is key to improving the pipeline of apprentices to small, local businesses, raising the profile of the pathway and addressing issues around the quality and readiness of candidates.

A quarter of respondents (25%) had engaged with education in this way, with microbusinesses and those with 21+ employees reporting the highest level of engagement at 30 per cent.

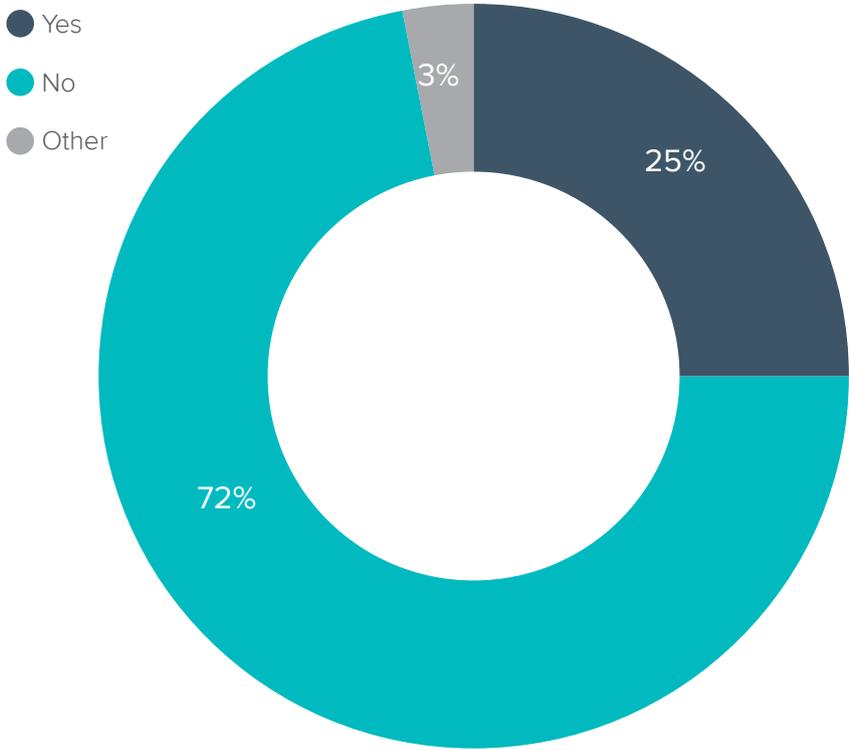
In spite of this, the vast majority (72%) had not received an invitation of this nature, with sole traders and the self-employed reporting the least engagement.

³³ Department for Business, Innovation and Skills and Department for Education, Post-16 Skills Plan, July 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536043/Post-16_Skills_Plan.pdf

³⁴ Report of the Independent Panel on Technical Education, July 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536046/Report_of_the_Independent_Panel_on_Technical_Education.pdf

Figure 11: Proportion of businesses that have been approached by a school or college to take part in apprenticeship-related activities

Source: FSB Apprenticeships Survey 2016



Fifty-three individual respondents selected 'Other' and gave additional information in answer to the question. A number of respondents used the opportunity to highlight the other ways they have been involved in education, including offering work experience and volunteering at events and fairs.

"I contacted BigOpps in Bucks and they asked if we could talk to their students – we've said yes. I also approached Berkshire College of Agriculture and they have circulated our job vacancies and apprenticeship. We are hoping to go in and talk to their students too."

FSB Member, soft landscaping and horticulture, no apprentices.

"I worked in the local secondary school as the work experience coordinator – responsible for placing 200 students on work experience. I work closely with all the schools in the local areas and I have mentored a student at another school. It's who you know and how you make those connections. I'm very keen to make links between schools and our business because there is going to be a shortage of engineers soon. We have been lucky to have a pool of staff to push into various areas, in particular engineering...so it's worked out well with us."

FSB Member, manufacturing, four apprentices

Some respondents found interacting with local schools and colleges to be more of a challenge, particularly around liaising with educators to provide opportunities to young people.

“I went into a local technical college about a year ago and met with their head of music and two admin staff. Looked around their very nice music tech gear and I got quite enthused about the idea of getting together with the place, whereby I could offer work experience to my choice of the best of their kids. But it fizzled out. I sent two or three emails and received a few replies, but my email started to go unanswered. And that was that.”

FSB Member, audio production company, no apprentices

However, for one respondent, there is a wider problem around a lack of interest from young people to work in smaller businesses which is stopping business owners from increasing their involvement with education. They also added that the typical age profile of employees in smaller businesses might be a concern for some young people.

“However, a bigger problem I see is that young people don’t seem to want to work for a small firm. Three years ago, we advertised for apprentices with the local college and received no responses. I phoned up the college to ask what was wrong with the advert, but they said that they couldn’t find anyone who was interested. They want to work for big companies. I mean, the age profile of smaller businesses can put off some young people. If someone goes into a larger firm, it’s likely there will be more people their age. From our experience, you have an 18-year-old come in and everyone else is in their 40s and 50s, the social side of work starts to become an issue. I think that could become a problem for small firms.”

FSB Member, accountancy firm, no apprentices

ENGAGING WITH EDUCATION AS A SOLE-TRADER

Like many FSB members, Rachel Davis is self-employed. She runs RT Social – a social media and management company based in Worcestershire. Rachel shares her views of the challenges to engaging with young people in education – and apprenticeships – as a business owner based at home.

“I started my business in January 2016, so we’re still very new! But I’ve been really surprised by how quickly it took off. I’m at capacity now, five months in, and I thought it would take at least a year!

“My business manages the social media accounts for small business, and also offers training for small businesses that want to get up to speed or look after their accounts themselves. Most of my work is done at home – on my own. I think that I would like to offer an apprenticeship, if it were feasible – the same applies to work experience to some extent – but it’s difficult when you work from your home. My office is my spare bedroom, so it’s hard to allow people in for a long period of time. Particularly an apprentice.

“I don’t know what the benefits of getting involved in a school or college would be to me, if I’m honest, but it’s more about what I can give to them. I can tell them about setting up their own business. Like most people, I did my work experience in a business. I don’t know of anyone who did their work experience with a sole trader, so I don’t know any school kids who are thinking about setting up their own business, which is a shame. I’m sure they could teach me stuff too!

“I’d really like support to find opportunities to engage with education – even apprenticeships if I could. I don’t know if there could be a central hub to act as a meeting point for youngsters who want to take part or learn more about entrepreneurship, or something? There should be more engagement with sole-traders and the self-employed to inspire others thinking about doing it. It’s a good thing to do. However, the reality is that we are based at home and that’s a bit of a challenge.”

POLICY RECOMMENDATIONS

The research shed light on the extent to which businesses – ranging from the self-employed and small to medium-sized enterprises – are engaging with apprenticeships and the challenges they face prior to and during their apprenticeship journey. While some small businesses do not feel they want to take on apprentices at present, there is a core group who do. A focus for policymakers should be nurturing this interest in the small business community by actively supporting it to flourish.

The following are a series of recommendations focussed on helping policymakers maximise small businesses' contribution to apprenticeships and create the conditions in which apprentices in smaller enterprises can thrive.

RECOMMENDATION ONE: TARGET GROWING BUSINESSES AND THINK LOCALLY

- **Identify businesses that are in the process of growing, or are looking to grow, and share information about apprenticeships, including the benefits to business.** Our survey uncovered a clear link between business growth and apprentice recruitment, with a number of respondents attributing their first apprentice to the need to train-up additional staff following a period of rapid or unexpected growth. To help stimulate growth in apprentice numbers, the Government should target businesses who are in the process of growing, to ensure they have the information and support to explore introducing an apprentice to help meet their skills and staffing needs. This strategy will also lead to more effective and impactful messaging around apprenticeships and the development of policy that is specifically tailored to support apprenticeship growth in smaller businesses.
- **Support apprenticeship growth in small firms through responsive and flexible local employment and skills strategies.** LEPs have a clear role to play in helping to boost the number of apprenticeships in small businesses in areas of England. Currently, only six per cent of survey respondents sought information from their LEP prior to taking on an apprentice, suggesting that either small businesses do not consider their LEP to be a useful source of support, or that many of them do not have a compelling offer around apprenticeships. In the past, FSB has voiced concern about discrepancies that exist between LEPs and about the way they operate, as well as their individual impact.³⁵

To maximise the role of LEPs in supporting apprenticeship growth, they should be encouraged to prioritise the development and implementation of an apprenticeship plan as part of their wider skills strategy. This should set out how they intend to raise aspirations of both young people and employers, developing apprenticeships to meet local need.

Recognising that many new apprenticeships will come from small businesses which are growing or looking to grow, LEPs should set out how they intend to work with their Growth Hub to influence hiring behaviour and drive-up interest in apprenticeships at the local level. In addition, Growth Hubs should ensure that information and support on apprenticeships, both at the local and national level, is effectively signposted online, making it easier for businesses to find and access a range of support.

Through the devolution process, most of the Wave One City Deals included measures to increase the number of apprenticeship placements in SMEs in particular, which led to the establishment of Apprenticeship Hubs. In addition, two of the deals included allocations for the AGE Grant. Apprenticeships were also a feature of many Wave Two Deals, with more cities committing to creating Hubs, agreeing to align local services with NAS and ring-fencing of the AGE Grant.³⁶

Small firms want to train and benefit from new ideas and, in return, apprentices stand to gain from a wide exposure to a range of experiences that a small business can provide. FSB strongly recommends that no future devolution deals be agreed without having a prominent place for apprenticeships as part of their broader skills strategies.

³⁵ Centre for Local Economic Strategies and FSB, 'The Future of Local Enterprise Partnerships: The Small Business Perspective', September 2014: available at <http://newstartmag.co.uk/wp-content/uploads/2014/09/FSB-MAKING-LEPS-SUPPORT-SMALL-BUSINESS-BETTER-Report-SEPT14.pdf>

³⁶ Clayton, N and McGough, L., UK Commission for Employment and Skills (UKCES) and Centre for Cities, 'City deals and skills: How have City and Local Growth Deals supported the development of employment and skills policies that reflect local demand', July 2015: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441672/15-07-02-City-deals-and-skills.pdf

Finally, FSB recommends that the Government review the effectiveness of existing Apprenticeship Hubs to ensure that they are meeting their aim to increase the scale, breadth and quality of apprenticeship delivery in local areas and supporting employers, and SMEs in particular, to engage with the apprenticeship process.

RECOMMENDATION TWO: IMPROVE INFORMATION AND SUPPORT TO SMALL BUSINESSES LOOKING TO ENGAGE WITH APPRENTICESHIPS

- **Tailor communications and support around different types of small businesses according to their growth aspirations and create a dedicated area for small businesses on the NAS website.** Our research has exposed a clear need for Government to better communicate with smaller enterprises – particularly around the business benefits of employing apprentices. As our interviews with respondents show, there is currently a lack of clear, relatable and accessible information on apprenticeships that adequately addresses the realities of running a small business. In addition, there needs to be a review of how apprenticeships are marketed to small businesses. Small businesses want practical and relevant guidance on the apprenticeship process.

NAS should be a recognisable source of support and information for small businesses and greater attention is needed on raising its profile among small businesses and improving the usefulness of its content. Central to this is creating a dedicated area for small businesses. This area should contain step-by-step ‘how to’ guidance on recruiting, managing and developing an apprentice and feature an FAQ section written from the perspective of the small business owner. This guidance should not only provide pragmatic advice on apprenticeships and the apprenticeship process, but emphasise the business benefits of employing apprentices.

- **Introduce an Apprenticeship Investment Calculator to help small businesses work out the cost of training an apprentice, to plan for how it will be paid and assess the return on investment, and make it available on the DAS.** With small businesses soon to be required to contribute toward the cost of training their apprentice and the introduction of new apprenticeship standards and incentives, some business owners may struggle to gauge how much an apprentice would cost, which could deter them from investing. In addition, the forthcoming apprenticeship levy has the potential to cause considerable confusion for many small businesses which are unclear over their individual eligibility. As our survey illustrates, 15 per cent of respondents said that they would be liable to pay the apprenticeship levy, yet follow-up interviews and an examination of respondent profiling data found that none of these businesses would be affected.

In order to eliminate confusion and help businesses to work out the cost of training an apprentice, to plan for how it will be paid and assess the return on investment, the Government should introduce an Apprenticeship Investment Calculator hosted on the DAS. The tool would factor in co-payment arrangements and employer incentives and could be shared with non-levy paying employers directly and used by local training organisations to explain their offer to small firms.

Finally, the DAS needs to be multifunctional and meet the requirements of both levy-payers and non-levy payers. This is particularly important for smaller businesses, which may fluctuate between levy-paying and non-levy paying status. Creating a system which supports usage by both parties will also support the transition of smaller firms to the DAS in 2018 – a year after levy-paying businesses.

- **Introduce a specialist Small Business Apprenticeship Helpline to engage with the SME market and help support the transition of small businesses to the new apprenticeship funding arrangements.** Currently, if an employer has fewer than 250 employees and is interested in employing an apprentice, they can contact the NAS Business Support Service by email or telephone helpline. However, in order to prepare for the introduction of the apprenticeship levy in April 2017, we have seen a greater focus on helping large businesses understand their levy commitments and navigate the new system and a subsequent scaling-back of support to smaller businesses. Although

helping larger businesses to prepare for the forthcoming apprenticeship levy is important, in the longer term this shift of attention and resource could have a detrimental impact on the number of smaller enterprises taking on apprentices.

Engaging and supporting the SME market must be a focus of the Government. As such, we recommend that the Government introduces a specialist Small Business Helpline to engage with small businesses and help them to transition to the new apprenticeship funding arrangements. As our survey has shown, there is a definite need for this type of dedicated support for smaller businesses looking to engage or who are at risk of stopping their existing apprenticeship offering.

To help ensure small businesses are aware of the specialist helpline, consideration should be given to where small businesses are going for information and guidance on apprenticeships. Currently, the main portal for accessing Government information on apprenticeships is via GOV.UK, which our survey found that only 14 per cent of respondents visit for advice. If it is the Government's intention that the majority of information on apprenticeships will continue to be hosted on GOV.UK, there must be effective signposting on the new DAS website and the NAS website.

RECOMMENDATION THREE: WIDEN ACCESS TO APPRENTICESHIPS FOR SMALL BUSINESSES AND INDIVIDUALS ALIKE

- **Provide a more generous small employer incentive to businesses with fewer than 50 staff and review the payment schedule for this incentive to facilitate earlier access to funds.** The move to require small businesses to contribute towards the cost of training their apprentices in cash will result in a reduction in apprenticeships offered. Incentives play an important role in encouraging businesses to continue to invest and avoid abandoning or scaling-back their existing offering. This is particularly the case for smaller enterprises where the potential for growth is greatest, but the costs – both financial and in terms of time commitment – are more significant.

So far, the Apprenticeships Grant for Employers of 16 to 24 year olds (AGE Grant) has supported many small businesses to take on apprentices. As part of the new system, the AGE Grant will no longer be available to employers; instead, eligible businesses are entitled to receive a variety of incentive payments, each linked to the funding cap to which the apprenticeship standard is allocated, with a view to supporting apprenticeship training in their business. These include:

- An incentive payment for employing an apprentice aged 16 to 18 (the apprentice must be aged 16, 17 or 18 at the start of their apprenticeship to be eligible).
- A small employer incentive for employers with fewer than 50 staff (49 or fewer paid full or part-time employees).
- An employer completion payment once the apprentice has successfully completed their apprenticeship.

This support is generally welcome – particularly the payment for businesses employing an apprentice aged 16 to 18, with our data showing that 70 per cent of respondents to our survey currently have one or more apprentices in this age group. However, there will be businesses that will not employ 16 to 18 year old apprentices. As such, they will not benefit from the same level of additional financial support. This could put off some small businesses from investing in apprentices or encourage others to take on apprentices to do a lower level qualification in order to receive the additional incentive payment. This runs counter to the Government's drive to increase the skill level of the workforce. To address this, we call on the Government to provide a more generous small employer incentive to ensure that extra support is targeted on the smaller firms that can least afford the extra upfront costs of taking on an apprentice (the value of which will be linked to the funding cap to which the standard is allocated).

In addition, changes to apprenticeship funding arrangements mean that, throughout the delivery of the apprenticeship, the businesses will be required to make their contributions to their external

training provider in cash.³⁷ Cash flow is one of the greatest challenges of business ownership. In 2014, 38 per cent of SMEs that applied for finance had done so to acquire working capital to manage cash flow.³⁸ In addition, microbusinesses – which, as our survey found, employ the highest volume of apprentices and are responsible for the bulk of recent growth in apprenticeship provision³⁹ – often lack a dedicated finance function to help navigate cash flow issues. As plans to reform apprenticeship funding gather pace, it is essential to recognise the significance of this issue for small businesses. Small firms need support to prevent disengagement from apprenticeships as the traditional model changes.

Interviews conducted as part of this research highlight the need for small businesses to have earlier access to the AGE Grant. Currently, official guidance informs employers that it may take up to nine weeks after a 13-week qualification point for the funds to be processed and transferred⁴⁰, despite many of the costs of taking on an apprentice beginning from the moment they start their apprenticeship. Making these funds available at an earlier stage in the apprenticeship will help smaller employers to better absorb the costs associated with apprentices and the impact they may have on other areas of the business.

Under the new apprenticeship funding arrangements, employers with fewer than 50 staff (49 or fewer paid full or part-time employees) are entitled to receive a small employer incentive payment for taking on an apprentice. Government should change the payment schedule for this incentive payment so that payments are received from day one and on a monthly basis, as opposed to 90 days after the apprentice starts.

Finally, 91 per cent of respondents who took part in our survey had used, or are currently using, an external training organisation to train their apprentice and 66 per cent were broadly satisfied with the level of service, training and assessment provided. It is important this relationship continues to bring benefits to both parties under the reformed system.⁴¹ The Skills Funding Agency should work with FSB, the Association of Employment and Learning Providers (AELP) and others to explore how this aspect of the new apprenticeship funding system can be developed in a way that is not prohibitive to small businesses. Guidance should be produced for training providers on agreeing delivery and payment schedules that reflect the realities of running a small enterprise.

- **Allow levy-paying businesses to spend their digital apprenticeship vouchers on training for apprentices within their supply chain.** The supply chain makes up 61 per cent of total employment or over half the overall value added in some sectors.⁴² Suppliers and individuals must have the right skills within the supply chain to be productive, competitive and innovate. Government has previously encouraged large employers to do more to support the skills of their supply chain companies, highlighting best practice. This includes the opening up Apprenticeship Academies to suppliers in the aerospace and automotive industries.⁴³

As part of the reformed apprenticeship system, Government should prioritise the implementation of digital infrastructure which allows levy-paying supply chain leaders to share their digital apprenticeship vouchers with small businesses in their network. Furthermore, with the quality of apprentice candidates being a key challenge to successful engagement with apprenticeships, being part of a supply chain of a levy payer (who may have a higher profile brand) can create a more diverse talent pool from which small businesses can select.

37 Skills Funding Agency, 'Apprenticeship standards funding rules 2016 to 2017', Version 2, March 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510198/Apprenticeship_standards_funding_rules_2016_to_2017_v2_FINAL.pdf

38 Department for Business, Innovation and Skills, 'Longitudinal Small Business Survey: Year 1' (2015) SME employers, BIS Research Paper Number 289, May 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522364/bis-16-227-sme-employer-report.pdf

39 UKCES, 'Employer Perspectives Survey 2014', 2015: available at <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

40 Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/512865/AGE_Employer_Factsheet.pdf

41 FSB Apprenticeship Survey. Of the 66 per cent of respondents categorised as 'broadly satisfied', 15 per cent agreed that their training organisation 'provided high quality training and kept me informed of everything I needed to know', 19 per cent said 'they provided training that I valued and helped the apprentice become competent' and 32 per cent said 'they provided an acceptable level of training and assessment. I was satisfied with the service I received'.

42 Department of Business, Innovation and Skills, 'Supply Chain Analysis into the Construction Industry: A Report for the Construction Industry Strategy', BIS Research Paper Number 145, October 2013: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252026/bis-13-1168-supply-chain-analysis-into-the-construction-industry-report-for-the-construction-industrial-strategy.pdf

43 Department of Business, Innovation and Skills, 'Strengthening UK Supply Chains: Good practice from industry and government', January 2014: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/278211/bis-14-515-strengthening-uk-supply-chains-good-practice-from-industry-and-government.pdf

- **Ensure the voice of small business has the opportunity to critique and contribute to apprenticeship policy, including Trailblazers.** The voice of small firms can be difficult to discern in some areas of apprenticeship policy. For example, there are still not enough SMEs taking part in the Government’s Trailblazers programme. This is clear from the results of our survey, which show that only two per cent of respondents have participated.

Despite this, 12 per cent of businesses say they are interested in taking part in Trailblazers in the future, and this enthusiasm should be built on to ensure that the apprenticeships standards being developed reflect the skills needs and requirements of small businesses and reflect the day-to-day realities of running their apprenticeship programmes. With support from FSB, Government should convene and coordinate a group of **100 small businesses (‘FSB100’)**, including SMEs who are already Apprentice Ambassadors, to review and contribute to apprenticeship policy, including Trailblazers. This is to ensure that their interests and requirements are reflected in the new standards and to help address concern from smaller enterprises around the relevance and quality of apprenticeships.

- **Small business owners should be among the individuals taking part in the proposed Institute for Apprenticeship’s panels of professionals.** In July 2016, the Government published the Post-16 Skills Plan.⁴⁴ Among other reforms, the report recommended that the remit of the Institute for Apprenticeships be expanded to encompass all of technical education at Levels 2 to 5. The renamed body, the Institute for Apprenticeships and Technical Education, would maintain a single, common framework of technical education standards, qualifications and quality assurance. A key part of the work of the Institute will be to convene panels of professionals to advise on the knowledge, skills and behaviours to be acquired for the standards in each route and on suitable assessment strategies, as outlined in the recommendations made in the Report of the Independent Panel of Technical Education.⁴⁵

To ensure that the interests of small businesses are reflected in these standards and assessment strategies in each of the 15 technical routes, the Institute should take steps to include individuals from small businesses on the proposed panels of professionals. These individuals will be required to demonstrate their understanding of the occupations within each of the 15 technical routes and should come from a range of sectors. To further ensure employer buy-in, particularly from smaller businesses, the Institute should ensure that these panels consult widely and often as the standards are developed.

- **Improve awareness of apprenticeships among young people, teachers and parents.** Concern over the quality of apprentice candidates is one of the most significant barriers to engaging with apprenticeships. Part of the solution is ensuring young people in education have a good understanding of what an apprenticeship is and what it involves, so that they are better equipped to undertake apprenticeship opportunities. This is particularly important for small businesses, for which an apprentice represents a significant investment.

Ofsted has previously found that around three-quarters of schools failed to equally promote vocational options to their students, depriving young people of impartial careers advice.⁴⁶ As a direct result, the Government announced a new proposal to require all schools to collaborate with colleges, university technical colleges and other training providers to ensure that young people are aware of all the routes to higher skills and the workplace, including higher and degree apprenticeships.⁴⁷ This is a welcome step and Government should prioritise its introduction. However, many parents and teachers – both key influencers in young people’s decision-making – continue to see university education as preferable to apprenticeships and a more positive progression from school.

Government should prioritise the publication of their forthcoming Careers Strategy, which will give further information on the legislation to allow providers access to schools and teachers and

44 Department for Business, Innovation and Skills and Department for Education, ‘Post-16 Skills Plan’, July 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536043/Post-16_Skills_Plan.pdf

45 Report of the Independent Panel on Technical Education, July 2016: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536046/Report_of_the_Independent_Panel_on_Technical_Education.pdf

46 Ofsted, ‘Going in the right direction?: Careers guidance in schools since September 2012’, September 2013: available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413171/Going_in_the_right_direction.pdf

47 <https://www.gov.uk/government/news/new-law-will-end-outdated-snobbery-towards-apprenticeships>: accessed, 11 July 2016

careers professionals with a vision for careers education in 2020. Central to this is ensuring that young people – and crucially, their parents – have access to the information and data they need to make informed decisions on their education, training and employment options and technical and professional education, including apprenticeships. This strategy should be informed by, and sit alongside, the Post-16 Skills Plan and Report of the Independent Panel on Technical Education – published in July of this year. These plans should reinforce the wider direction of travel regarding apprenticeships and emphasise the value and importance of collaboration between both schools and small businesses.

Secondly, The Careers & Enterprise Company – set up by the Government to inspire and prepare young people for the world of work – should ensure that their network of Enterprise Advisors (business volunteers working with individual schools and colleges to develop effective employer engagement programmes) are given the resources and guidance to effectively engage small businesses in helping to inform young people of local opportunities, including apprenticeships. Working with FSB to build on relevant content in the Enterprise Advisors Toolkit would help to further mobilise more small firms to get involved in improving young people’s knowledge, understanding and level of preparedness for an apprenticeship or other opportunity.

- **Broaden access to apprenticeships for small businesses and young people in rural areas.** Small businesses in rural areas can struggle to attract apprentices, particularly those aged 16-18, who are often subject to high cost and low availability of public and private transport. Research by the Department for Education has shown that 34% of young people who did not participate in learning post-16 indicated that they would have done so if they had received more support to cover the cost of transport.⁴⁸ Businesses do not have access to a central publicly-funded support towards travel costs for apprentices. National Apprenticeships Service funding criteria do not account for the additional costs associated with transport that can be incurred by providers delivering to more remote parts of the country (although some local authorities run schemes that help apprentices with such costs).

To address this, local authorities and combined authorities should plan bus routes which follow journey to work patterns to ensure that everyone can access training and employment opportunities – including apprenticeships – and that these are integrated with other services. In addition, the Government’s Total Transport pilot schemes – which seek to make better use of local council transport services for different groups that are underutilised or only required at certain times of the day - should be evaluated and then expanded, if found to be successful, to help to create a denser transport network in rural communities.⁴⁹

⁴⁸ Department for Education, 'Barriers to Participation in Education and Training', March 2010: available at <http://dera.ioe.ac.uk/82/1/DFE-RR009.pdf>

⁴⁹ FSB, 'Going the Extra Mile: Connecting Businesses and Rural Communities', May 2016: available at <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-rural-transport.pdf?sfvrsn=0>

METHODOLOGY

Between 4 - 15 April 2016, Verve, on behalf of FSB, surveyed FSB members in England to understand their experiences and attitudes towards apprenticeships. The survey consisted of 15 questions and explored respondents' engagement with, and views of, apprenticeships. The survey was answered by 2,008 small business members in England in April 2016¹⁷ and was designed to be completed both by respondents who currently have at least one or more apprentices in their business and those who do not have, or no longer have, an apprentice. Approaching data collection in this way gave us an insight into the views of respondents with first-hand experience of the apprenticeship system and business owners whose feedback was founded on personal opinion or previous experience of taking on apprentices. The questions addressed smaller firms' current level of engagement with apprenticeships, their experience of the apprenticeship system, the motivations and challenges facing smaller businesses when taking on apprentices and the incentives that would lead to greater take-up.

Survey respondents were asked to indicate their sector in which they operated by selecting from standard SIC code options. This was used to compare the number of apprentices in different sectors. In the context of this report employees include both full-time and part-time employees.

In addition, 15 qualitative follow-up interviews with respondents were carried out between May and June 2016 in order to explore in greater depth a number of issues that came out of the survey. Interviews were conducted with those businesses with and without apprentices.

Finally, this paper used desk research of a range of secondary sources and through discussions with a range of key sources over the past six months. These sources included Government Departments (BIS and DfE), academics, sector skills councils and membership organisations, research bodies, and a range of large and small employers. Key desk research is referenced in the footnotes.

© Federation of Small Businesses

fsb.org.uk

 [federationofsmallbusinesses](https://www.facebook.com/federationofsmallbusinesses)

 [@fsb_policy](https://twitter.com/fsb_policy)

If you require this document in an alternative format please email:

accessability@fsb.org.uk

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of FSB. While every effort has been made to ensure the accuracy of the facts and data contained in this publication, no responsibility can be accepted by FSB for errors or omissions or their consequences. Articles that appear in the report are written in general terms only. They are not intended to be a comprehensive statement of the issues raised and should not be relied upon for any specific purposes. Readers should seek appropriate professional advice regarding the application to their specific circumstances of the issues raised in any article.

This report can be downloaded from FSB website at www.fsb.org.uk


Experts in Business