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# **MAKING APPRENTICESHIPS MORE ACCESSIBLE TO SMALL AND MEDIUM-SIZED ENTERPRISES**

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MAY 2012

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# Foreword

Three months ago, I was asked by the Secretaries of State for Education and for Business, Innovation and Skills, and the Minister for Further Education, Skills and Lifelong Learning to lead this Review. Its origins lie in last November's Education and Skills Growth Review<sup>1</sup>, in which the Government committed to "inviting a leading SME employer to advise on what further measures can be taken to give SME employers more control in the system, and to make it more responsive to SME needs."

I accepted this role because of my commitment and passion for vocational training and, in particular, apprenticeships.

I own a number of independently run small and medium-sized businesses (The Holts Group<sup>2</sup>). I am also the founder of the not-for-profit Holts Academy, which is the UK's sole provider of Government-accredited training to the wider jewellery sector. I set up this Academy in 1999 as I was concerned about an ageing workforce in the sector and a lack of new talent being brought in. Over the next year, we expect over 850 learners to gain nationally accredited qualifications including 150 apprentices.<sup>3</sup>

When setting up the Academy, my team thought I was ill-advised to develop training that would benefit other jewellery companies, but I put my faith in a sense that my business needed the wider sector to survive and grow in order for it to flourish within it. Through this Review, it seems that we are in good company, with the likes of Rolls Royce adopting a similar policy in relation to training apprentices for its supply chain and even competitors.

An excellent way of achieving a high level of competence in any field is via a mixture of on the job experience and class-based training. However, apprenticeships are not only good for the individual, they are also an extremely effective way for employers to tap into raw talent, upskill their staff and grow their businesses.

Yet despite 99% of all businesses being SMEs, the proportion of take up of apprenticeships in SMEs is, at best, just under 10%<sup>4</sup> which is less than half that of larger companies. Just imagine the impact if we were able to align SME uptake with that of larger businesses.

I trust that my recommendations can help develop an environment in which taking on an apprentice is a credible means of creating employment.

Wouldn't it be wonderful if, one day in the near future, recruiting an apprentice becomes a simple and natural part of growing an SME business, and joining an SME as an apprentice becomes a coveted springboard for many starting their careers?



**Jason Holt**  
CEO, Holts Group of Companies,  
May 2012

1 <http://www.bis.gov.uk/policies/growth/growth-review-implementation/education-skills-growth-review>  
2 The Holts Group incorporating Holts (a jewellery retailer and gemstone wholesaler), Jewellery Innovations (a jewellery manufacturer), Holition (a Shoreditch-based creative marketing agency using emerging technologies) and Holts Academy of Jewellery.  
3 For further details of Holts Group apprenticeship activities see Annex E.

4 UKCES Employer Perspectives Survey 2010 reported 9.6% of SMEs with 2 to 249 employees (ie excluding sole traders) as employing an apprentice. The 2009 UKCES National Employers Skills Survey found that 17% of businesses with 200 to 499 employees and 22% of businesses with over 500 employees employed apprentices. However, as employers are defined as establishments (individual sites) rather than enterprises, some enterprises may be represented by more than one of their sites

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# Summary

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## Key priorities

Apprenticeships as a career path are not given a high profile in schools and SMEs are often put off apprenticeships by a lack of coherent and consistent information. This is compounded by the fact that SMEs, more than large businesses, depend on responsive training providers and do not always receive good service.

In response to my brief (see Annex A), I have found that the main barriers to SMEs taking on apprentices are lack of awareness, insufficient SME empowerment and poor process.

### **My main recommendations relate to:**

#### **1 *Communication: raising awareness of the benefits of apprenticeships***

Developing and delivering - with the National Apprenticeship Service (NAS) taking a leading role - better and more consistent messaging about an apprenticeship being both positive for SMEs and the economy at large, and a career decision that is as valid as going into Higher Education.

#### **2 *Empowerment: SMEs to get the best from their training providers***

Rebalancing the purchasing power and access to information on the side of the SME to ensure that they are in control of what providers deliver, and that providers operate in a more competitive environment.

#### **3 *Simplification: ownership and responsibility for the apprenticeships programme and removing barriers***

Reviewing the delivery landscape to ensure that roles and responsibilities between the many parts of Government and related agencies involved in apprenticeships are clear, coherent and optimal.

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### Recommendations

### Communication: raising awareness of the benefits of apprenticeships

- 1 Government to establish the NAS role as the lead of all communication relating to apprenticeships. This should include NAS developing and maintaining a series of clear and relevant core messages covering what an apprenticeship is and replacing unfounded prejudice with the message that an apprenticeship is both positive for SMEs and the economy at large, and a valid career path alongside the option of going into Higher Education. To ensure consistency, such information should be automatically disseminated to the community of which SMEs are a part (ie their peers, advisors, trade associations, Chambers of Commerce, providers etc) and other organisations that promote apprenticeships for use under their own brand. It should also form the core of more aspirational, inspiring and accessible content on the NAS website.
- 2 The Department for Business, Innovation and Skills (BIS) and NAS to work with the professions such as lawyers and accountants (including their membership organisations) to initiate a sustained campaign for every professional advisor to become an apprenticeships ambassador. Such activity could be extended to trade associations and Chambers of Commerce.
- 3 Ministers to back up their statements of support for the apprenticeship career path by ensuring best practice examples of apprenticeship promotion by schools are spread, for example, via head teacher networks.
- 4 Promote greater awareness of the benefits of the apprenticeship career path amongst young people. This should be done via more employer/apprentice engagement in schools with the support of providers where possible. Focus should be from Years 7 to 13 and it should be co-ordinated by whatever combination of Chamber of Commerce, Local Enterprise Partnerships (LEP), Local Authority, businesses and trade associations works best on the ground locally.
- 5 Government to secure private sector financial support to create an online virtual community of apprentices to provide a vehicle to celebrate and promote apprenticeships, with emerging technologies used to incentivise members. If successful, this could be a first step to creating a (Royal) Society of Apprentices.

### **Empowerment: SMEs to get the best from their training providers**

- 6 Government to create an environment in which SMEs can develop their own training provision or work with providers and others to design apprenticeships that address skills shortages quickly and effectively, without reducing quality. Government to implement quick wins by stimulating training provision in sectors where there is high demand and low supply, and to continue to pump-prime the development of employer-focused training provider models and networks.
- 7 BIS, the Skills Funding Agency and NAS to develop an online tool to enable all employers, including SMEs, to identify and access the most appropriate apprenticeship training provision for their needs in real time. Such a tool should have a feedback mechanism so that employers can see other employers' experiences of each provider. This could also act as an alarm bell for NAS and the Skills Funding Agency in identifying underperforming providers. An internal online tool currently being developed by NAS may form the basis of this, but the possibility of the private sector providing this facility should be kept open pending the success or otherwise of the NAS tool. Government needs to consider making an appropriate investment in this tool, with the comfort that, if successful, it could lead to significant cost saving efficiencies.
- 8 Government to consider the merits and viability of weighting the funding mechanism to reflect the sometimes higher cost for training providers of supporting apprentices in micro and small companies.
- 9 Government to require providers to set out for client employers the amount of money it is contributing towards the costs of training their apprentices in a simple, consistent and transparent way.
- 10 The Association of Colleges (AoC) and the Association of Employment and Learning Providers (AELP), in liaison with the Skills Funding Agency and NAS, to develop a Provider Charter relating to apprenticeship training provision to SMEs. This would be for use, both in promoting best practice amongst providers, and in informing SMEs about what service they can expect from a good provider. To increase the chances of Charter adoption, this should be linked to the proposed employer feedback mechanism and future provider funding decisions.

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### **Simplification: ownership and responsibility for apprenticeships and removing barriers**

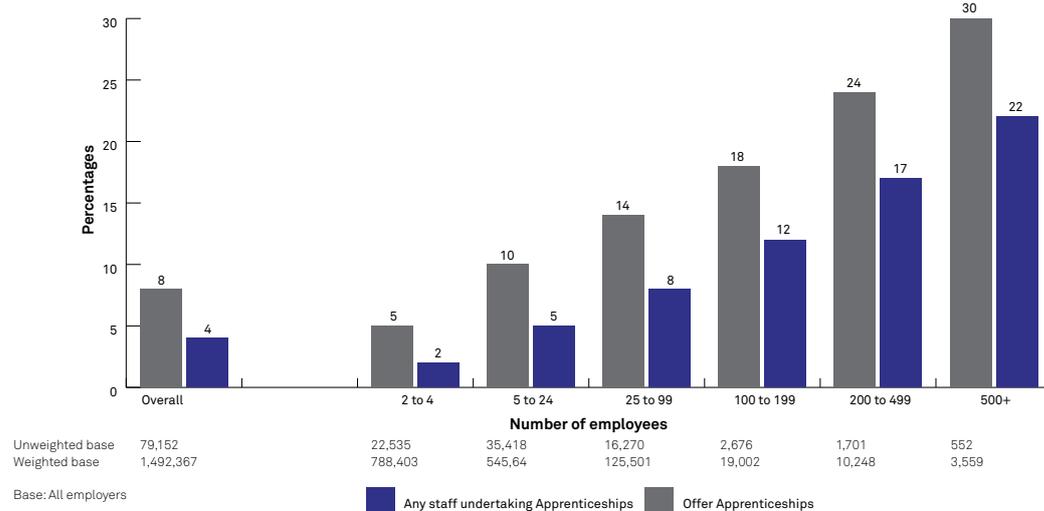
- 11 Government to review the delivery landscape to ensure that roles and responsibilities between the many parts of Government and related agencies involved in apprenticeships are clear, coherent and optimal. In doing so, it will be important to make sure NAS retains clear ownership of apprenticeships delivery, and is given the space and support to fulfil its functions well. The forthcoming change of status of the Skills Funding Agency and NAS may provide an opportunity for doing so. In particular, it will be vital to ensure DfE and BIS as a whole are closely bound into policy and delivery decisions on apprenticeships, so that decisions made in one part of DfE or BIS do not adversely impact on efforts to expand and enhance apprenticeships by another part of DfE or BIS.
- 12 NAS to introduce a facility for employers to place an “apprenticeship vacancy pending approval” notification on the Apprenticeship Vacancies (AV) site within 24 hours of having contacted NAS and prior to a full, approved advert. NAS to speed up further the process of getting adverts onto the AV system by securing greater provider buy-in via the proposed Provider Charter.
- 13 Government to rationalise the current options used for preparing young people for apprenticeships and to bridge any remaining gaps between schools and apprenticeships.
- 14 NAS to build on the offers of help made by Review consultees to develop a network of SMEs who can act as mentors to SME businesses new to apprenticeships and champions of the apprenticeships programme.
- 15 Government to explore other incentivisation options to employers in addition to the Apprenticeship Grant for Employers (AGE). When the Government reviews the impact and effectiveness of the AGE incentive, this should include an assessment of the effectiveness of the current payment method and whether there are other options, such as reduced National Insurance Contributions, that could better link it to the apprenticeship.

# Introduction

This Report identifies why the take-up of apprenticeships amongst SMEs is comparatively low. It will review potential barriers and difficulties, and make positive recommendations as to how SMEs can more easily offer apprenticeships and how to make apprenticeships more rewarding for SMEs.

## The opportunities

Whilst establishments with under 200 employees employ nearly 80%<sup>5</sup> of apprentices in England, the proportion of these employers who have any apprentices remains relatively low, as can be seen from the following table:



Source: 2009 National Employer Skills Survey

Just think what the benefits to the economy and skills base would be if the proportion of SMEs taking on apprentices could be brought up to the level of larger companies with apprentices. With tuition fees starting to bite, high graduate unemployment and more Higher Apprenticeship Frameworks being developed, there has never been a better time to promote this.

## What “good” looks like

I have gleaned from focus groups a picture of what “good” looks like so that we can set the bar and identify what gaps we need to fill. In an ideal world:

- all companies, irrespective of their size or sector, would be constantly looking to upskill their existing workforce and bring in new talent to train up;
- such companies would have a clear understanding of all the options open to them to achieve this, and would recognise that apprenticeships could fulfil a significant proportion of their requirements;

<sup>5</sup> UKCES 2009 National Employer Skills Survey - the survey includes employers across all sectors of business activity in England. ‘Employers’ are defined as establishments (individual sites) rather than enterprises; hence some enterprises may be represented in the survey by more than one of their sites.

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- they would know this because what an apprenticeship means would be embedded in everyone's psyche and would be a byword for high quality candidates and training, and for an effective pathway to long term growth;
  - all organisations which promote apprenticeships would sing a clear and consistent message from the same metaphorical hymn sheet.

Having taken the decision to recruit an apprentice, the process to make this a reality would be clear and simple:

- a company would be able to easily access the information necessary to go about this, including the information needed to select a provider that could best meet its needs, and would have leverage over the provider to ensure it delivered a programme which precisely fitted the needs of the business and the apprentice;
- the provider would be incentivised to develop an innate understanding of the needs of the company and be able to deliver a support programme to the apprentice which was fit for purpose for that business. It would also provide flexibility for employers to support their own training provision for their sector;
- the recruitment process would be simple, quick and local;
- turnaround times would be measured in days rather than weeks;
- the company would be met by a ready supply of eager, primarily (but not exclusively) young people, encouraged by their parents and schools and enthused by the prospect of learning a craft, trade or profession in an SME, fully prepared to make the transition from school to work and, ideally, to commit long term to the company; and
- any problems encountered along the way either by the employer or the apprentice would be easily addressed via support networks.

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### **What "now" looks like**

Judging by the conversations I have had with a wide range of employers over the past three months, the reality is somewhat different.

NAS has overall responsibility for the apprenticeships programme and, within this, for increasing apprenticeship starts. In the circumstances, it does a good job. However:

- an apprenticeship as a career path is not given a high profile in schools;
- school-leavers are sometimes ill-prepared for the real world challenges of being an apprentice;

- SMEs are often unaware of what an apprenticeship is in today's terms, and of the benefits of taking on apprentices;
- Even when SMEs are aware of the potential benefits of apprenticeships, their recruitment decisions are often adversely influenced by perceived or real barriers; and
- SMEs do not always get a good or appropriate service from their training provider.

In short, as far as SMEs are concerned, the existing apprenticeships programme is misunderstood and inaccessible, not always helped by a plethora of organisations willing to give - sometimes conflicting - advice, and one or more weaknesses in the employer-provider-apprentice triangle.

Over the following sections, I aim to explore these issues in greater detail and suggest ways to address them.

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# Section 1 – Communication: Raising Awareness of the Benefits of Apprenticeships

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## Summary of recommendations

NAS to develop core messages about apprenticeships aimed specifically at SMEs and young people. These should be used by all those involved in apprenticeship promotion and as the basis for making NAS's website more appealing to these audiences; Government to work with the professions to encourage them to promote apprenticeships to their SME clients; Government to facilitate more employer engagement in schools to promote apprenticeships to young people and spread best practice on this between schools; Government to secure private sector financial support to create an online virtual community of apprentices to provide a vehicle to celebrate and promote apprenticeships, as a possible first step to developing a (Royal) Society of Apprentices.

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## 1.1 Introduction

Many interviewees have told me that, whilst they are supportive of apprentices, they don't think they are right for their own companies or sectors. Equally, young people, parents and teachers are aware of the term "apprenticeship" but for many, their negative perception will mean that it will be a closed career option from the outset. These perceptions create a major barrier.

A number of actions need to be taken to address this unfounded prejudice and replace it with the right messages delivered via the right routes.

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## 1.2 Defining the Brand

Whilst an apprenticeship as a concept has a high profile, the apprenticeships programme has a much lower - and confused - profile. This applies both in relation to small businesses and to potential apprentices. There are a number reasons for this, as detailed below, but one overarching issue is an apparent inability to develop a set of aspirational core messages relating to what an apprenticeship is and what an apprentice does, in simple rather than technical terms. This is needed if an apprenticeship is to become recognised as a desirable job and career option.

Based on my own experience, I believe that:

- an apprenticeship is the gold standard of on-the- job training programmes which takes an individual through a clearly defined set of independently assessed competencies which meet national standards and which are fit for purpose for a specific sector; and
- an apprentice is someone who is employed, earning, learning and working to a certain standard and working towards qualifications which have validity in the workplace.

The factor which needs to be absolutely central to any set of core messages is that an apprenticeship is a job with training rather than training incidentally undertaken via a job. This mindset is key to promoting apprenticeships long term, and needs to be articulated clearly in the form of a brand promise.

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### 1.3 Consistent and clear messaging

Awareness raising is undertaken by numerous organisations (see Section 1.5) and the benefit of this is that it reaches a wide range of businesses and individuals.

However, many SMEs have indicated that the information available is inconsistent and not fit for purpose.

*“There is an abundance of information, but it is difficult to see the wood from the trees. What is needed is a clear set of simple messages for each audience. These then need to be consistently deployed by all those promoting the benefits of apprenticeships” (Martyn Price, SME construction employer, Board member of ConstructionSkills and a member of the Apprenticeship Ambassadors Network).*

As an SME owner, I know only too well how little time there is to research issues when your focus needs to be on the running of the day to day business. To attract the attention of a busy employer, the initial proposition needs to consist of simple, jargon free and punchy messages. It also needs to set out very clearly what the process of taking on an apprentice entails (the “employer journey” diagram on page 23 may help here).

We also need to ensure that young people receive good quality information about apprenticeships, so that all suitable young people are encouraged to consider them and are supported when they apply.

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### 1.4 Core messages

NAS needs to hold the reins on developing and disseminating core messages to all those involved in promoting apprenticeships. In the interests of efficiency, this could be via an automated electronic system so that all users

always have the latest lines. The messages will need to be tailored to the audience of which there are several. For example, core messages **to SMEs** might include:

- apprenticeships are a good way of growing your business and of moulding an employee to fit your company’s needs;
- recruitment is simpler than you may think, with as much - or as little - help from your provider as you want;
- the cost of the apprentice salary and incidentals relating to hiring and managing them is 100% tax deductible;
- apprentices generally have probationary periods during which they need to show that they are up to the job and, even after that, if they don’t perform, you are not obliged to retain them for the duration of the apprenticeship (See Annex C);
- it is possible to recruit first as a standard employee and put the employee onto an apprenticeship at a later date (See Annex C);
- if you are unable to take the risk of employing an apprentice directly, an alternative route is available via an Apprenticeship Training Agency (ATA);
- you can take someone on as an apprentice at any age from 16;
- if you are considering taking on an intern, why not instead consider taking them as an apprentice?

...and core messages **to potential SME apprentices** might include the facts that an apprenticeship with an SME:

- can be more exciting than an apprenticeship with a large company, because you will be given early and real responsibility due to their dependence on small teams;

- is about learning a craft, skill or profession whilst earning a wage and gaining a qualification which is nationally recognisable for its excellence;
- can lead to you becoming multi-skilled and making a real difference for the whole organisation;
- follows in the footsteps of top entrepreneurs who started as SME apprentices; and
- is more likely to be local and embedded in your local community.

Some of these messages are already on the NAS website. However, its information-richness is at the expense of instant appeal to SMEs and young people. It needs a more aspirational buzz delivered via case studies, interviews and greater interactivity. To shift the views, the site needs to be state-of-the-art, agile and flexible. This may mean that the NAS site is best kept outside of the Government Digital Strategy.

A semiotic analysis of the website might help in identifying what needs to be done to make it more appealing to potential apprentices. The new approach needs to be developed in such a way that the content can be used by other organisations such as providers, to promote the apprenticeship career path to young people.

This leads to the first recommendation:

**Recommendation 1:** Government to establish the National Apprenticeship Service (NAS) role as the lead of all communication relating to apprenticeships. This should include NAS developing and maintaining a series of clear and relevant core messages covering what an apprenticeship is and replacing unfounded prejudice with the message that an apprenticeship is both positive for SMEs and the economy at large, and a valid career path alongside the option of going into

Higher Education. To ensure consistency, such information should be automatically disseminated to the community of which SMEs are a part (ie their peers, advisors, trade associations, Chambers of Commerce, providers etc) and other organisations that promote apprenticeships for use under their own brand. It should also form the core of more aspirational, inspiring and accessible content on the NAS website.

**Desired outcome:** Consistent messaging by all parties involved in promoting apprenticeships results in an improved SME appreciation of the opportunities that apprenticeships present, and in young people being inspired to investigate apprenticeships as a potential career path.

### 1.5 Finding the right routes to deliver messages to SMEs

It is in the nature of such a short review that I have only had a chance to talk to a relatively small number of companies (around 100). Most of those I have engaged with have already had experience (good and bad) of employing apprentices. More widely, whilst a general awareness of apprenticeships is relatively high across all sizes of company, a more detailed knowledge (e.g. about the different levels of apprenticeship) is dramatically lower amongst smaller companies<sup>6</sup>. So clearly there is plenty of scope to raise awareness, but who should be responsible for this?

The most common prompt<sup>7</sup> for taking on an apprentice is being approached by a training provider. Alternatively, other organisations may create awareness: some national (e.g. NAS); some local (e.g. Chambers of Commerce, Local Authorities, training providers); and some sectoral (e.g. trade associations, National Skills Academies, Sector Skills Councils,

6 2009 UKCES National Employer Skills Survey - "for the three specific categories of apprenticeship, employers with 500+ staff are approximately twice as likely as those with two to four staff to have heard of each".

7 BIS Research Paper Number 77 - Evaluation of Apprenticeships: Employers, May 2012: 27% of respondents (with some variations amongst sectors) cited "being approached by a provider" as being the reason for taking on their first apprentice.

Manufacturing Advisory Service). Any additional activity involving these organisations and their members to promote apprenticeships should be encouraged.

In addition, I welcome plans to establish Apprenticeship Hubs in our major cities. These offer the potential to strengthen partnerships between NAS and the diverse range of bodies at a local level with interests in workforce skills, in particular to support more small employers.

In conjunction with these hubs, why not introduce a mechanism which celebrates those SMEs who employ an apprentice? Gaining a competitive edge by being “an apprentice employer” would benefit the employer and send the right signals to other SMEs. For example, “we employ an apprentice” certificates could be displayed in shops and places of work.

### ***Trusted advisors as apprentice champions***

All of the above have a role to play, but employers are most influenced by those who advise them such as accountants, lawyers and bank managers. Via this Review, the Institute of Financial Accountants and The Law Society have indicated they would be willing to help by working with Government to raise the profile of apprentices amongst their members, with a view to their members then encouraging their clients to recruit apprentices as part of their growth strategies. There are also other such intermediaries which BIS, as part of its wider work to support SMEs, could encourage to get involved.

**Recommendation 2:** BIS and NAS to work with the professions such as lawyers and accountants (including their membership organisations) to initiate a sustained campaign for every professional advisor to become an apprenticeships ambassador. Such activity

could be extended to trade associations and Chambers of Commerce.

**Desired Outcome:** Advisors become advocates of apprentice recruitment where it serves the best interests of their clients.

## **1.6 Finding the right routes to deliver messages to young people**

Apprenticeships are for all ages<sup>8</sup>. This is often misunderstood and there is an opportunity to promote this to all (see Core Messages in Section 1.4). However, what I have heard is that there is a particular barrier to engaging young people.

How can we ensure that young people receive good quality information about apprenticeships, and that suitable young people are encouraged to consider apprenticeship opportunities with SMEs in particular?

### ***The current position***

A 2011 AoC survey of 500 pupils entering Year 10 found that only 7% were able to name apprenticeships as a post-GCSE option<sup>9</sup>.

Apprentices, both directly and via their employers or training providers, have expressed concern to me about low levels of awareness and interest in apprenticeships in schools and, where there is interest, it tends to relate to apprenticeships in larger companies.

*“Schools don’t see apprenticeships as a realistic path into a career, only the failing students are encouraged to seek apprenticeships. Our 2 apprentices were vaguely aware of apprenticeships and stumbled across what we were offering by accident” (Dorine Flies, HR Director, ionCube Ltd)*

<sup>8</sup> Apprenticeships are open to anyone from 16 upwards.

<sup>9</sup> Loudhouse research for the AoC on post GCSE options: <http://www.aoc.co.uk/en/research/aoc-commissioned-research.cfm>

Based on the evidence I have heard:

- there is no obvious structure within the schools system to allow young people to start forming views about an apprenticeship being a potential career path;
- apprenticeships are often portrayed in schools as old-fashioned and as a second class option suited only to the “less able” or the “more practically focused” pupils;
- pupils are often encouraged to go on to A Levels and Higher Education when an apprenticeship would suit their needs much better; and
- schools do not always promote apprenticeships effectively because they are incentivised to retain pupils in their sixth form.

### ***Awareness raising amongst teachers, parents and pupils***

In Annex C, I have enclosed details of the new duty requiring schools from September 2012 to secure independent impartial careers guidance for their pupils in years 9-11 on all post-16 education and training options, including apprenticeships, and my reservations about it.

Important though this central reform is, most of us were probably influenced to follow our chosen career path more by our parents, teachers, peers or that inspirational talk we had from an employer or ex-pupil than by a careers advisor. We therefore need to ensure that these groups also have a positive view of apprenticeships.

A significant amount of NAS’s planned marketing activity is to be directed at teachers and parents and I fully support this. This includes celebrating the achievements of individuals and employers; communicating the tangible benefits of being involved and

demonstrating the difference apprenticeships make to business, the economy and society as a whole.

Beyond this, NAS is developing a new set of online support materials for teachers; is revamping the Young Apprenticeship Ambassadors Network (YAAN) and is working with school networks such as the HTI (Head Teachers and Industry) and the Academies Trust; the TUC are doing work to ensure teachers have a positive approach to apprenticeships, and the Apprenticeship Ambassadors Network (AAN) does promotional work in schools, as do many employers, employer organisations and training providers.

### ***Developing parity of esteem between HE and FE***

However, in spite of this, the schools and apprentices we have spoken to still admit to the apprenticeship career path having a low profile in their schools/former schools. To develop true “parity of esteem” between the Higher Education and apprenticeship routes, in addition to developing more Level 4 Apprenticeships Frameworks, we need to raise awareness on an altogether bigger scale. This means doing more of it, at a younger age and more intelligently.

Central to achieving this is embedding employer engagement and apprenticeship recruitment into the school curriculum. Pupils take key decisions on GCSEs in Year 9, but how many of them will have had exposure to employers by then? Pupils need to be inspired and enthused at a young age by apprentices (preferably ones who went to the same school), their employers and via skills competitions. If such engagement can be linked to projects that the pupils are undertaking, so much the better.

This needs to continue right through from Year 7 to Year 13 when it can provide a balance to the UCAS system for Higher Education.

The recruitment of apprentices suffers from the lack of the kind of recruitment calendar that exists for Higher Education. Whilst we need to retain the flexibility for companies to recruit apprentices at any time of the year, from the potential apprentice's perspective, it would be helpful to have a month (or two) every year – perhaps an “Apprenticeship Spring” – specifically for apprentice recruitment.

This would enable apprentice candidates to be swept along on a sea of awareness raising and interaction with companies (including via more “Apprenticeship Week” activity in schools). This would serve to boost momentum and give the individual a sense that they are involved in something worthwhile.

In my experience with Holts Academy, creating partnerships between providers and schools is an excellent way to create awareness amongst young people. It also allows an early linkage with employers who are already connected to the provider. Such partnerships should be encouraged.

Who should be responsible for this activity? Some schools are doing this already and in those cases all credit to those inspirational Head Teachers and teachers who have taken it upon themselves, despite the funding mechanisms which seem to run counter to this, to promote the apprenticeship pathway to their pupils. Best practice in this field needs to be promoted via, for example, Head Teachers and Industry (HTI).

**Recommendation 3:** Ministers to back up their statements of support for the apprenticeship career path by ensuring best practice examples of apprenticeship promotion by schools are spread, for example, via head teacher networks.

**Desired Outcome:** Greater interest amongst pupils and ultimately a larger pool of appropriate candidates for employers to choose from.

### **Role of employers**

However, the big push needs to come from the employer side, and it needs to be done at the local level with local businesses.

*“SME employers can really inspire school kids on apprenticeships, given the opportunity. I regularly visit local schools and this has led directly to my company taking on 16 apprentices in the past 15 years.” (Richard Bridgman, Chairman, Warren Services Ltd and Chairman, SEMTA East England).*

Chambers of Commerce along with some Local Enterprise Partnerships (and where relevant Local Authorities) that are actively involved in promoting apprenticeships should be able to provide a co-ordination role on the ground. Large employers may be able to do the same via their supply chain, and the Trade Association Forum have indicated that they can promote local school engagement to their members. At the national level, we need to make use of the CBI’s “Ambition for all in Schools” project and the Education and Employers Taskforce’s “Inspiring the Future” initiative.

**Recommendation 4:** Promote greater awareness of the benefits of the apprenticeship career path amongst young people. This should be done via more employer/apprentice engagement in schools with the support of providers where possible. Focus should be from Years 7 to 13 and it should be co-ordinated by whatever combination of Chamber of Commerce, LEP, Local Authority, businesses and trade associations works best on the ground locally.

**Desired Outcome:** More pupils are inspired to consider an apprenticeship as a career path, leading to a greater supply of talented apprentice candidates to choose from.

### 1.7 Promotion by celebrating apprenticeships

Unlike their peers in Higher Education, current and qualified apprentices lack a sense of belonging to a wider community of apprentices. In its simplest terms, whereas a student at University generally becomes a graduate, an apprentice simply becomes qualified. This is particularly apparent with apprentices in SMEs. Any way of celebrating apprentices and raising their profile would therefore aid recruitment.

Creating an umbrella organisation that brings all qualified apprentices together as a single “cohort” (as already promoted by Robert Halfon MP) would create more of a sense of belonging and would generate a large pool of apprentice champions to promote apprenticeships as a rewarding and noble career path.

Such an organisation, possibly a “Society” or ultimately even a “Royal Society”, could be linked to the Guilds and could have different levels of membership, with a newly qualified apprentice being the first level. From initial soundings, this would need to be done in stages, initially involving a virtual community through which apprentices could share experiences. If successful, such a resource could be replicated physically. I believe that private sector seed capital would be forthcoming for the creation of such an organisation.

The first membership intake could include World Skills competitors and members of the Young Apprentices Ambassadors Network.

Being a member of such an organisation could also bring an entitlement to a membership card providing discounts. Whilst this could be along the lines of the existing NUS Apprentice Extra Card pioneered by GTA England and NAS, emerging technologies open up other

opportunities. Programmes such as UCan® could offer incentives dynamically, via online and mobile media, in a way that rewards apprentices more, the further they progress. This type of mobile-related technology is more likely to engage young people and could be provided at neutral cost to the user and Government.

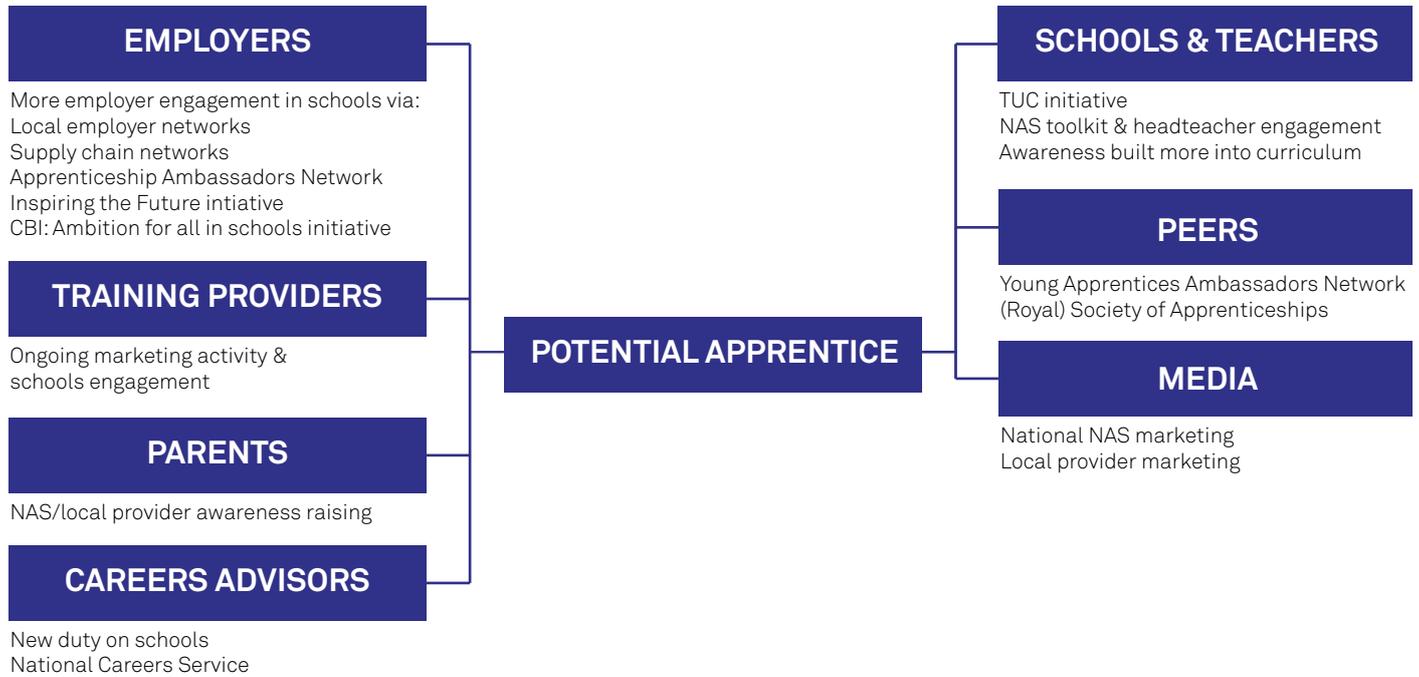
Given the similarities between athletes and apprentices in terms of training for a goal, it might also be possible for such an organisation to take advantage of the Olympic legacy as a means of promoting and celebrating apprenticeships.

**Recommendation 5:** Government to secure private sector financial support to create an online virtual community of apprentices to provide a vehicle to celebrate and promote apprenticeships, with emerging technologies used to incentivise members. If successful, this could be a first step to creating a (Royal) Society of Apprentices.

**Desired Outcome:** Creation of a high profile hub for apprenticeship promotion and celebration which improves brand awareness and gives qualified apprentices a greater sense of pride in their achievement.

Overview of mechanisms to influence young people

Taking account of existing and proposed activity, a central strategy to promote apprenticeships to young people, which demonstrates the potential influence of many information sources on them, might look like the following:



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# Section 2 – Empowerment: SMEs to get the best from their Training Providers

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## Summary of recommendations

Government to support providers with a strong employer focus and make it easier for groups of SMEs to develop their own training provision; Government to develop an online tool to allow all companies, including SMEs, to identify and access the most appropriate apprenticeship training provision in real time (with a built-in provider performance feedback mechanism); Government to consider introducing a weighting to the funding mechanism to reflect the sometimes higher cost for training providers of supporting apprentices in micro and small companies; Government to increase employer awareness of training costs by requiring providers to supply this information in a simple, consistent and transparent way; AoC and AELP to lead on developing a Charter focussed on best practice training provision to SMEs.

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## 2.1 Introduction

What is a training provider's role in relation to apprenticeships? As already noted, according to the recent BIS employer survey<sup>10</sup>, the most common reason for taking on an apprentice was "being approached by a provider."

This is symptomatic of a system which places greater emphasis on the role of the provider than on the employer and apprentice, and the relationships between the latter two. Ideally a business should not be taking on an apprentice because some free training is on offer. Their thought process should start with a decision to recruit an additional member of staff followed by the conclusion that employing that person as an apprentice would be the best long term option for the business. In this context, a provider's role is primarily to deliver the off-the-job training in support of the key relationship – that between employer and apprentice. This principle is at the heart of my recommendations in this Section.

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## 2.2 The training provider-employer relationship

However, that is not to say that the provider role is unimportant. On the contrary, it is vital. In addition to offering expertise in training, providers can have a key role to play in coordinating all components of the apprenticeship both on and off the job.

When the provider is good, the apprenticeship has every chance of being a success, but when the provider is ineffective, the whole arrangement can break down, potentially putting off an SME from employing apprentices in the future.

There are many varieties of training provider, ranging from local colleges and large employers through to Group Training Associations (GTAs) and freelance trainers. Around 1,000 contract directly with the Skills Funding Agency, and another 2,000 are subcontractors. Multiply this by the number of apprenticeship frameworks covered by each provider and their combined number of clients, and it is unsurprising that I have received mixed views from SMEs on provider performance.

10 BIS Research Paper Number 77 - Evaluation of Apprenticeships: Employers, May 2012 ([http://www.apprenticeships.org.uk/News-Media/Latest-News/~/\\_media/2310FB6A989E4666B30D8F11415C681B.ashx](http://www.apprenticeships.org.uk/News-Media/Latest-News/~/_media/2310FB6A989E4666B30D8F11415C681B.ashx))

These have ranged from glowing reports of providers that handhold the employer throughout the recruitment and bedding-in process and subsequently provide a very tailored training service, through to providers that offer a “take it or leave it” service, and recommend an inappropriate framework. The BIS survey also found that only just over half of all employers (albeit not just SMEs) were involved in - or felt able to influence - decisions about the content and delivery of training before it started.

### **Empowering employers**

We need to empower the demand side, namely employers, much more effectively so that they are better able to act as ‘informed and discerning consumers’ of the training they procure. One way of doing this would be by giving them the money (e.g. via vouchers or through netting off the cost from employers’ National Insurance Contributions). It is definitely worthwhile exploring ways like this which might give the employer emotional ownership over the funding costs currently paid by Government.

However, I do not believe Government (or indeed a single SME owner doing a review for Government!) is best placed to determine what models would work best. It is far better to let business come up with their own options which they have recently done in response to the Employer Ownership Pilot (EOP). I understand a good number of the 269 applications for EOP funding have an SME focus or dimension. I await the outcome of the selection process with interest, and look forward to seeing if the approach taken will have an impact beyond the pilot. Notwithstanding this, there is still much more that can be done whilst testing out the EOP vision through the pilot.

### **2.3 Promoting provider best practice and framework flexibility**

Providers tend to deliver a better service to SMEs when they are part of a wider network of providers. Pro-active and effective co-operation on training provision (ie so the network members can collectively, if not individually, meet SME needs) and a close relationship between providers and their local employers (e.g. via employer ownership or presence on provider Boards) can ensure a good fit for SMEs.

I have seen wonderful examples of the latter point in various forms where employers take it upon themselves to address skills shortages. These include employers setting themselves up as providers delivering to themselves as well as to their sectors, and employers getting together to self-determine what the local provider should deliver.

There is a role for Government to provide pump-priming funding for the establishment of providers that incorporate these kinds of characteristics. Indeed, it has already delivered on this via its support for GTAs. I understand that Professor Lorna Unwin’s report will recommend that GTAs diversify beyond their traditional sectors. The scale of GTAs is small but, given support, I could see them playing an important role for SMEs in all sectors.

I am also aware that the Skills Funding Agency has been developing a pilot through which National Skills Academies (NSA) will commission training provision on behalf of SMEs. NSAs, at their best, have a key role to play in delivering bespoke training provision for SMEs and this needs to be encouraged.

However, beyond this, in talking to those employers who have developed their own provision, the common theme is that this has been against the odds.

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*“In our specialist area (fibre optics), the existing frameworks that providers were pointing us towards simply weren’t relevant or were so general that they failed to train any specialist skills. We’re now working to develop our own framework, but it took a long time and a lot of pushing on our part to convince anyone that more bespoke training needed to be developed. (Anthony Impey, Managing Director, Optimity).*

This mirrors my own experience, where it took me ten years to develop the qualifications which are now being delivered to the jewellery industry<sup>11</sup>.

Given the benefits that employer-focused providers offer, the Government needs to make it easier for employers to take this path. The nature of SMEs means they often work in specialised areas where frameworks do not exist. Those that do exist have often been developed for large business, and are consequently too wide and broad brush to be fit for purpose for the specialised area.

What this does is create an opportunity for SMEs to be far more involved in the creation of frameworks. During this Review, I have been made aware of a number of sectors where SME-friendly frameworks are lacking. These include the high tech, nursery and day care sectors.

Government needs to find the mechanism which allows SMEs and providers in such sectors to work collaboratively. The SME should advise on the core components whilst the provider should carry the administrative burden of the process, namely ensuring the framework meets

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the national standards and so is transferable to other employers, and liaising with the relevant Sector Skills Council and awarding bodies.

Hopefully, initiatives arising from the EOP may help inform the best way to stimulate employer-provider partnerships.

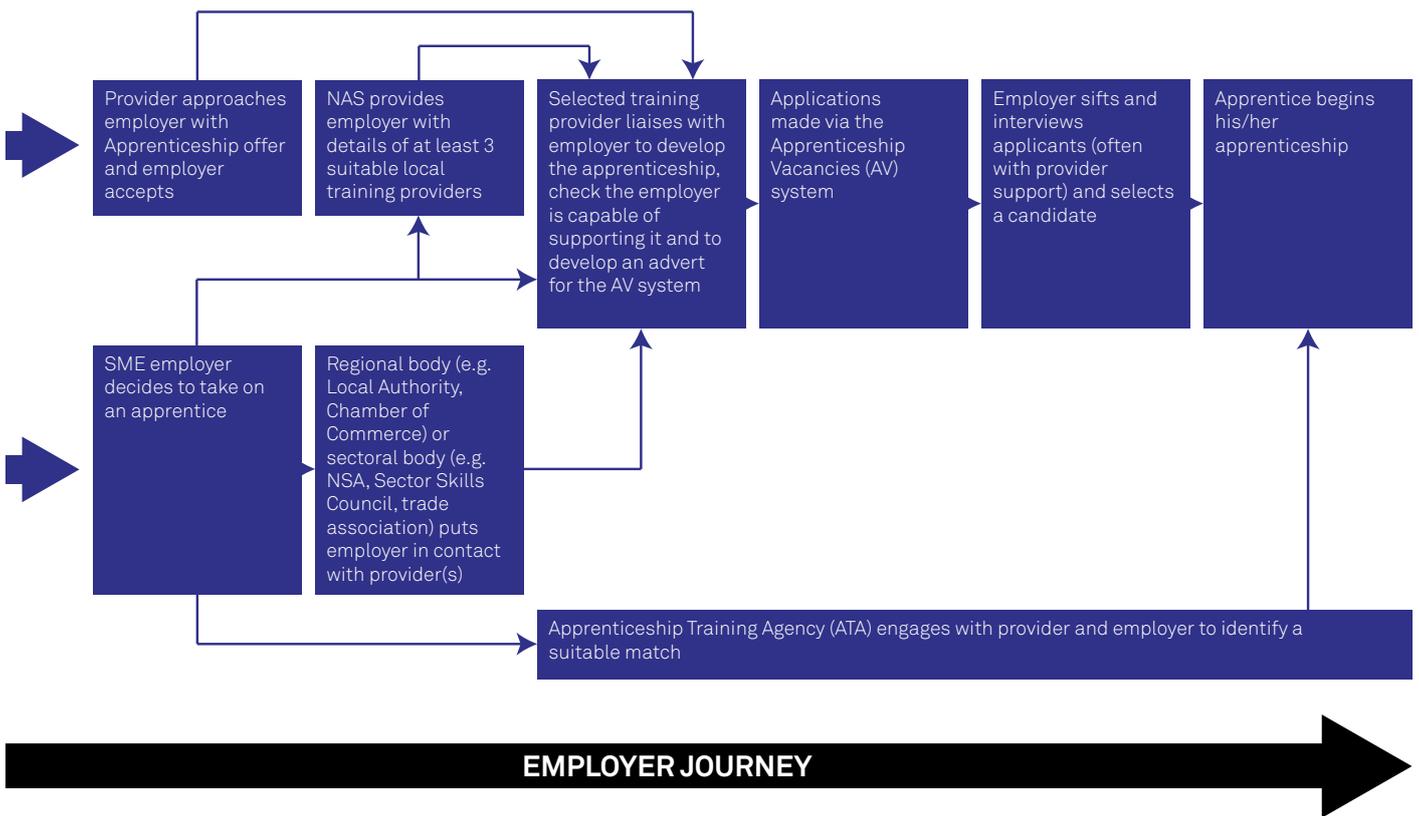
**Recommendation 6:** Government to create an environment in which SMEs can develop their own training provision or work with providers and others to design apprenticeships that address skills shortages quickly and effectively, without reducing quality. Government to implement quick wins by stimulating training provision in sectors where there is high demand and low supply, and to continue to pump-prime the development of employer-focused training provider models and networks.

**Desired outcome:** Apprenticeships that meet the needs of SMEs and are employer-focused.

<sup>11</sup> Holts Academy pioneered the introduction of qualifications in the jewellery sector. We worked with the Creative and Cultural Skills Council, the Scottish Qualification Authority and the industry to develop the first national vocational qualifications and Jewellery Apprenticeship Framework at levels 2, 3 and 4.

### 2.4 Empowering SMEs to select the right provider

Whilst some SMEs may always choose the simplest option when procuring training (e.g. going to their local provider), choice is still the cornerstone of a competitive market. However, it only works effectively if information about the full range of choices (namely which providers can cover what frameworks and modules) is readily accessible. The following diagram indicates the main options for choosing a provider and recruiting an apprentice as I understand them:



If an SME wants a choice of providers, it will generally either do its own searching or contact NAS's Small Business Team (SBT). If the latter, they will be given details of who NAS believes are the three most appropriate local providers from their database. However, the fact that this database exists for the benefit of employers but is not available online is unacceptable. NAS is already developing a related online tool for internal use and could develop enhancements with a view to making it available to employers so they can self serve in real time the most appropriate apprenticeship provision. I strongly support the idea of such a tool.

However, employers also need to be able to compare providers based on their performance. Currently no mechanism to make this comparison exists. Whilst the Skills Funding Agency's "FE Choices" site provides this to some extent, it is not in a particularly easy or apprenticeship-specific format (the owner of a micro company is unlikely to have the time to plough through the Ofsted reports of its local providers).

A more user-friendly and tailored solution needs to be found. I have tested the idea of some kind of feedback mechanism with SMEs and have received a universally positive response. This would be online and would enable employers to give feedback on providers for the benefit of other potential users of such services. It would need to be part of a single interface with the NAS tool, which I understand is possible, and also linked to the Apprenticeship Vacancies and possibly the FE Choices sites.

This option would require investment to get to the desired position quickly and effectively, and may be another reason for considering whether the NAS website is better placed remaining outside of the Government Digital Service.

However, private sector websites already offer this kind of service in a very professional way for numerous other courses, making their money via advertising and taking commission from providers when an individual signs up for a course. As an alternative solution, given some encouragement, there is no obvious reason why a private company couldn't (or wouldn't want to) apply the same business model to employer/training provider brokering in the apprenticeships field, as long as the necessary information was made available to them. After that, providers would be incentivised to keep the information up to date in the knowledge that it would lead to business.

**Recommendation 7:** BIS, the Skills Funding Agency and NAS to develop an online tool to enable all employers, including SMEs, to identify and access the most appropriate apprenticeship training provision for their needs in real time. Such a tool should have a feedback mechanism so that employers can see other employers' experiences of each provider. This could also act as an alarm bell for NAS and the Skills Funding Agency in identifying underperforming providers. An internal online tool currently being developed by NAS may form the basis of this, but the possibility of the private sector providing this facility should be kept open pending the success or otherwise of the NAS tool. Government needs to consider making an appropriate investment in this tool, with the comfort that, if successful, it could lead to significant cost saving efficiencies.

**Desired outcome:** Businesses, including SMEs, are more easily able to identify the provider that best suits their requirements. A more competitive and employer-led market drives up quality of provision.

### 2.5 Weighting training funding to reflect the real cost of provision to SMEs

A number of providers I have spoken to have indicated that they are more responsive to the needs of larger companies because of the economies of scale that meeting their needs can bring. Engaging with a local employer interested in recruiting 20 apprentices is going to be significantly cheaper per apprentice than doing the same for 20 apprentices spread across 20 micro businesses based in rural locations.

*“At Biggin Hill Airport we have experienced tremendous difficulties in interesting training providers in offering the kind of bespoke training provision that all the many SMEs on and around the airport need because of its relative small scale.”*  
(Andrew Walters, Chairman, London Biggin Hill Airport).

To address this, I have tested the idea with a number of SMEs and providers of weighting the Skills Funding Agency funding to reflect such higher costs. This would go beyond the current 25% reduction in funding for over 18 year olds starting apprenticeships with large companies. Such a mechanism would need to be sufficiently sophisticated to reflect actual costs rather than being a blanket weighting in favour of all SMEs.

The responses I have received have been largely positive. That said, some training providers have, quite rightly, pointed out that, with a fixed overall apprenticeships budget, more funding going towards training apprentices in SMEs will mean less funding going towards apprentices in larger companies. Nonetheless, if we are serious about increasing the numbers of apprentices in SMEs, this is definitely worth considering.

Whilst the recommendation below is limited to ensuring adequate funding to meet SME training requirements, this is, of course, just one element of a much wider issue which needs to be addressed, namely the need for funding across the piece to reflect actual training costs rather than be based on fixed rates.

**Recommendation 8:** Government to consider the merits and viability of weighting the funding mechanism to reflect the sometimes higher cost for training providers of supporting apprentices in micro and small companies.

**Desired Outcome:** More providers support more SMEs more effectively on apprenticeship training provision.

### 2.6 Information provision about the real training costs

Related to the two recommendations directly above is the fact that employers generally have very little sense of their apprentices' offsite training costs. This is particularly relevant for SME employers because Government usually pays a higher proportion of the training costs for their apprentices than it does for apprentices employed by larger companies. Even when the training cost is only partially funded by Government, the employer contribution is often not sought (see Annex B).

To many employers, the training appears to be free, with the effect that they are less inclined to engage with or challenge the provider.

If SMEs had more information about the actual cost of the training to the taxpayer, this would contribute to them becoming more discerning customers and ensuring that the apprenticeship training content is sufficiently tailored to their business needs. Of course, any successful EOP bids led by SMEs might address this to some extent, but not universally. A simple way of keeping customers up to speed with the cost of the training they have procured needs to be found.

**Recommendation 9:** Government to require providers to set out for client employers the amount of money it is contributing towards the costs of training their apprentices in a simple, consistent and transparent way.

**Desired Outcome:** Employers have a greater understanding of the cost to the taxpayer of the training their apprentices are receiving and, as a result, become more demanding customers.

### 2.7 Provider Charter

Much of what I have covered hinges on an SME knowing what it can reasonably expect from a provider. Best practice and key principles for optimum training provision to SMEs should be enshrined in a Charter which all providers sign up to. The umbrella organisations which represent the providers themselves are best placed to develop and own this, in liaison with NAS and the Skills Funding Agency.

Such a Charter should be used both to promote best practice amongst providers in their engagement with SMEs and to inform SMEs about what they can expect from a provider. It needs to be drafted with both these audiences in mind. Future funding allocations or growth requests should be considered in the light of providers' performance against the Charter. It could also be used as the basis on which employers judge provider performance via the proposed feedback mechanism.

The Charter might commit providers to:

- partnering with local schools and employers;
- delivering for employers within certain timescales including adverts for the AV system;
- being transparent on retentions, completions and numbers of learners employed after leaving;

- supporting SME employers to help bed apprentices into the job and throughout; and
- ensuring training meets the needs of SME employers.

**Recommendation 10:** The Association of Colleges (AoC) and the Association of Employment and Learning Providers (AELP), in liaison with the Skills Funding Agency and NAS, to develop a Provider Charter relating to apprenticeship training provision to SMEs. This would be for use, both in promoting best practice amongst providers, and in informing SMEs about what service they can expect from a good provider. To increase the chances of Charter adoption, this should be linked to the proposed employer feedback mechanism and future provider funding decisions.

**Desired Outcome:** An improved service to SMEs by training providers.

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# Section 3 – Simplification: Ownership and Responsibility for the Apprenticeships Programme and Removing Barriers

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## Summary of recommendations

Government to review the delivery landscape to ensure that roles and responsibilities between the many parts of Government and related agencies involved in apprenticeships are clear, coherent and optimal; NAS to further speed up the process of placing adverts on the Apprenticeship Vacancies site and introduce a “vacancy pending approval” option; Government to review and, if appropriate, rationalise the current options used for preparing young people for apprenticeships; NAS to build on offers made by consultees during this Review to develop an SME apprenticeship mentoring service; Government to consider, when it reviews the AGE incentive, whether it would be better to deliver it via reduced National Insurance Contributions and whether other incentivisation options are viable.

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## 3.1 Introduction

When I started this Review, I had anticipated that the main barriers I would hear about would be regulatory ones, but nothing specific to apprenticeships of that kind has been raised. I have, for example, raised the issues of insurance requirements and health and safety measures with a number of SMEs, but have received no complaints in response. Yes, health and safety requirements are more stringent for 16 and 17 year olds in certain environments, but such requirements relate to all workers in that age bracket rather than just apprentices. If that needs addressing, it is beyond the scope of my Review.

However, barriers that prevent small companies from taking on apprentices, or reduce the chances of success of an apprenticeship in an SME, do exist, and I believe need to be addressed as detailed below.

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## 3.2 Clear and coherent roles for central Government and agencies

Roles and responsibilities for various elements of apprenticeships policy and delivery are spread across different Government Departments and multiple agencies. Feedback from SME focus groups and interviews with Government and its agencies has indicated that this can, at times, result in a fragmented approach to policy, which can adversely impact on delivery.

One example of this is the relationship between DfE’s schools policy and the efforts of NAS and others to improve the information which schools receive and provide to their pupils about apprenticeships. I have heard repeated complaints of the difficulties in accessing schools and raising awareness amongst young people. I believe the programme would benefit greatly from closer support from parts of DfE, and from shared efforts to address the impact of parts of DfE policy which may, albeit for legitimate reasons, pose challenges for apprenticeships delivery.

**Recommendation 11:** Government to review the delivery landscape to ensure that roles and responsibilities between the many parts of Government and related agencies involved in apprenticeships are clear, coherent and optimal. In doing so, it will be important to make sure NAS retains clear ownership of apprenticeships delivery, and is given the space and support to fulfil its functions well. The forthcoming change of status of the Skills Funding Agency and NAS may provide an opportunity for doing so. In particular, it will be vital to ensure DfE and BIS as a whole are closely bound into policy and delivery decisions on apprenticeships, so that decisions made in one part of DfE or BIS do not adversely impact on efforts to expand and enhance apprenticeships by another part of DfE or BIS.

**Desired outcome:** Delivery of the apprenticeships programme is improved by a more coherent spread of roles and responsibilities and, in particular, by closer engagement of wider parts of DfE and BIS with apprenticeships policy, and closer working between DfE and NAS.

### 3.3 Speeding up recruitment

In the Education and Skills Growth Review, a commitment was made to speed up the process of getting adverts onto the Apprenticeship Vacancies system to a maximum of one month. This still lengthy process reflects the fact that the provider needs to agree the content of the apprenticeship with the employer as well as undertake various due diligence checks before the advert can be placed on the AV system. However many businesses I have spoken to still regard this process as too slow. In addition, some providers, particularly if they have a ready source of potential apprentices, have argued

that a more local recruitment process would be more useful.

This needs to be balanced against the undoubted advantages of having a central vacancies system in terms of greater transparency, fairness and awareness of opportunities. I am also mindful that many providers and apprentices find it a useful and easy to use system.

Overall, I believe the AV system is beneficial but, if it is to remain credible, the recruitment process needs to be speeded up. This will require greater co-operation from providers which should be built into the Provider Charter. In addition, the recruitment process could be commenced earlier by enabling businesses to place an “apprenticeship advert pending approval” notice on the AV system within 24 hours of having contacted NAS. Any interested candidate could register their interest and be automatically notified when the advert has been approved. This has two advantages: first, it would align response time to standard on-line job boards (with the exception of certain necessary constraints to protect the apprentice candidate) and; second, it would give an early indication to the employer of the level of interest for the role, whilst driving apprentice interest onto the AV system.

It is also worth noting that, as discussed in Annex C, employers have the option of recruiting someone as a non-apprentice first via their normal recruiting method and then find a provider to investigate the options of migrating the job to an apprenticeship. This has the added advantage of enabling the employer to try out the individual before they become an apprentice (see also Section 1.4 on Core Messages).

**Recommendation 12:** NAS to introduce a facility for employers to place an “apprenticeship vacancy pending approval” notification on the Apprenticeship Vacancies (AV) site within 24 hours of having contacted NAS and prior to a full, approved advert. NAS to speed up further the process of getting adverts onto the AV system by securing greater provider buy-in via the proposed Provider Charter.

**Desired Outcome:** A better “employer experience” of the AV system.

### 3.4 Addressing a lack of work readiness

A number of SMEs I have spoken to have expressed concern about the lack of preparedness of some 16 -18 year olds for the realities of an apprenticeship. This ranges from difficulty in getting to work on time, unrealistic expectations as to what the role entails, and a lack of basic English and Maths. It seems that schools no longer provide this support. This may not be an issue specific to SMEs, but the smaller the company, the less likely they are to be able to carry any passengers.

Even where the apprentice is ultimately successful, I am hearing that this is often at the cost of the SME having to invest a lot more time in getting the apprentice up to speed than it should have to, potentially putting them off taking on other young apprentices.

One of the conclusions of Ofsted’s “Apprenticeships for Young People” report<sup>12</sup>, published in April, was that young people who had previous experience of vocational training were more successful in making good progress with their apprenticeship than those starting straight from school without it. This is consistent with what I have heard.

Early on in the Review, I had determined that

a new “pre-apprenticeship” programme was needed. However, having looked at the issue in greater detail, it is clear that there is no shortage of options available which can be used as routes into apprenticeships for those close to the labour market. Indeed, there are a confusing array of options aimed at young people not in education, employment or training (NEET) alone, including Access to Apprenticeships, Work Experience, Sector Based Work Academies, Work Trials and Routeways, with three Government Departments (BIS, DfE and DWP) involved.

NAS is also planning to pilot some “Bridging Programmes” this summer, involving groups of young people spending several days developing the work and life skills needed to be work ready and able to start an apprenticeship.

In view of this, what is needed is more clarity for young people around existing schemes and possibly some rationalisation of the options. However, I recognise that some of the initiatives are still bedding down.

In addition, further consideration needs to be given to supporting those furthest from the labour market to progress towards apprenticeships, and to see how SMEs can engage with work experience offers. This, combined with employers not putting new employees onto an apprenticeships programme until they are satisfied that they can cope with it (as discussed in Section 3.3), is the best way of addressing this issue, and needs to be pursued as a high priority.

12 Ofsted Report: Apprenticeships for Young People (April 2012) - <http://www.ofsted.gov.uk/resources/apprenticeships-for-young-people>

**Recommendation 13:** Government to rationalise the current options used for preparing young people for apprenticeships and to bridge any remaining gaps between schools and apprenticeships.

**Desired outcome:** Young people are better prepared by the time they take up an apprenticeship.

### 3.5 Mentoring

During the past three months, representatives of a number of SMEs who have taken on apprentices have told me that they would be only too happy to pass on their experience to companies about to embark on this process. By their very nature, SMEs are particularly affected by the burden of taking on a young person and the extra support and mentoring they may need.

This is an opportunity not to pass up and, indeed should be pro-actively built on by NAS via the creation of an SME apprenticeships mentoring network which could be linked to [mentorsme.co.uk](http://mentorsme.co.uk)<sup>13</sup>.

**Recommendation 14:** NAS to build on the offers of help made by Review consultees to develop a network of SMEs who can act as mentors to SME businesses new to apprenticeships and champions of the apprenticeships programme.

**Desired outcome:** SMEs new to the apprenticeship programme have a ready source of informed peer group advice to turn to.

### 3.6 Financial Incentivisation

Government recognises the need to encourage SME employers to consider taking on an apprentice through financial incentivisation and, as of 1st April 2012, SMEs hiring their

first apprentice are entitled to a £1500 Government incentive. I welcome the intent, but the following issues have been drawn to my attention:

- some employers who qualify have told me that drawing down the funding is cumbersome;
- an alternative method of distributing this incentive could be by netting off the £1500 from National Insurance Contributions in a similar way to Statutory Maternity Pay.
- the incentive is often referred to as a “wage subsidy”. This term should be avoided as it is misleading: the amount is an incentive, not a subsidy, as it does not equate to the real cost in terms of management time, loss of production and salary.

In addition, although early days, the take-up of AGE seems to be indicating that the overall offer is not sufficiently attractive to smaller employers wanting to recruit an Apprentice. Government should actively consider the offer, the eligibility and the delivery method to maximise the number of smaller employers who take up the offer.

**Recommendation 15:** Government to explore other incentivisation options to employers in addition to the Apprenticeship Grant for Employers (AGE). When the Government reviews the impact and effectiveness of the AGE incentive, this should include an assessment of the effectiveness of the current payment method and whether there are other options, such as reduced National Insurance Contributions, that could better link it to the apprenticeship.

**Desired Outcome:** The financial tools used are effective in incentivising SMEs to recruit apprentices.

<sup>13</sup> the national mentoring website operated by the BBA (British Bankers' Association).

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### 3.7 Promoting SME take-up of apprentices via ATAs

Many SMEs are put off taking on an apprentice because they are not confident that they will have sufficient work for the apprentice (e.g. if the company's work is contract based) or because they do not want to take such a long term risk on an unknown quantity.

Whilst the ideal scenario is for the apprentice to be employed directly by the company at which they are undertaking the apprenticeship, it is possible for a company to act as a host employer for an apprentice employed by an Apprenticeship Training Agency (ATA). In this arrangement, if things don't work out for whatever reason, the host employer can pass the apprentice back to the ATA which then needs to find the apprentice another company at which they can complete their apprenticeship. Interestingly, most apprentices employed by ATAs end up staying with one host employer for the duration of their apprenticeship.

With ATAs, clearly there is a risk that the host employer will have less commitment to the apprentice than if it employed them directly. However, I firmly believe that ATAs have a role to play in enabling more SMEs to take on apprentices. I am encouraged by the steps NAS has recently taken, in conjunction with the Confederation of Apprenticeship Training Agencies (COATA), to develop an ATA recognition process which ATAs that want to be recognised will need to go through to comply with the new ATA Framework. The Framework's emphasis is on ensuring that the best interests of the apprentices are paramount. This is clearly the right approach.

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I do not have a particular recommendation to make in relation to ATAs, but would like to record my support both for the legitimate and useful role that good ATAs can perform and for NAS's efforts to bring the performance of all ATAs up to that of the best.

On the other hand, I am aware of examples where the employer's belief that the process of recruiting an apprentice is so complex that they have decided to avoid the "bureaucracy" by taking on their apprentice via an ATA. This is where perception and not the reality is the barrier (see Section 1).

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# Annex A – The Review Brief

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## Terms of Reference

I was asked to make practical recommendations:

- to improve the promotion of the apprenticeships programme to SMEs and make it easier for SMEs to determine how to go about recruiting an apprentice;
- to further speed up and simplify processes and current requirements and reduce bureaucracy both in relation to recruiting and employing an apprentice for SMEs;
- on other factors which may impact upon SMEs' experience of the apprenticeships programme, including, but not limited to:
  - ways in which SMEs procure apprenticeship-related training, including the different types of interface between training providers and small employers, and their relative effectiveness.
  - the extent to which Group Training Associations (GTAs) are helping SMEs acquire the training their apprentices need, and Apprenticeship Training Agencies (ATAs) are making apprenticeships accessible to more SMEs; and
  - the extent to which insurance requirements act as a barrier to recruiting an apprentice for SMEs.

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## The Process

Over the past three months, I have discussed these issues with a wide range of SMEs and other interested parties, and had the benefit of an Advisory Group (details at Annex F). However, responsibility for the recommendations in this Report rests solely with me.

It is in the nature of a three month review covering such a wide area, that it cannot be entirely comprehensive in its coverage or research. Whilst I believe I have spoken to enough stakeholders to form a good sense of where action does and doesn't need taking, further research and consultation may be needed to determine the advisability and viability of some of my recommendations. I have flagged where this may be the case.

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## SME definition

I should acknowledge that using the term "SME" (by which I mean an enterprise with fewer than 250 employees) is not always the most appropriate one in relation to the issues I raise. In my experience, once a company goes beyond 50 employees, it is likely to have developed at least a rudimentary HR function and will aspire to having some kind of proactive skills development policy. For such companies, some of the issues I raise may be less of a problem, but that does not mean to

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say that they too wouldn't benefit from the changes I suggest making. Indeed, whilst some of the issues I raise may impact disproportionately on small companies, they may have some impact on all sized companies. It therefore follows that some of my recommendations, whilst aimed at helping SMEs, would hopefully also have a wider impact if implemented.

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### **Parliamentary Select Committee Inquiry**

My Review has overlapped with an inquiry by the Select Committee for Business, Innovation and Skills into the apprenticeships programme. The Committee sought evidence, amongst other things, on what more can be done to support SME involvement, and have heard similar evidence to that which I have discovered. I look forward to their recommendations which are due later this summer.

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# Annex B – Other Issues for Consideration

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During the course of my Review, some issues have arisen which are either outside of the scope of the Review or which I have not had time to sufficiently investigate. The following each fall into one of these categories and warrant further investigation.

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## Employer contributions to training costs

When training over 18s, most providers I have spoken to either do not seek an employer contribution to the training or, at most, seek a small one-off payment. This also applies to my own Academy. If we sought an employer contribution, the apprenticeships would simply not happen as, in my experience, SME employers are rarely prepared to pay for this kind of long term training over and above the cost of employment and management time.

This suggests that the intended purpose of the funding distinction between 16 - 18 and 19+ is probably not having the desired effect. However, enforcing the employer contribution would be counterproductive in terms of promoting apprenticeships to SMEs.

**Potential Action:** If the Government is serious about prioritising support for 16 - 18 year olds, it may need to find another mechanism to achieve this. However, this should not be to the detriment of SMEs.

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## Provider top slicing

Some Independent Training Providers (ITPs) have complained to me about excessive “top slicing” of funding by Agency-contracted training providers when subcontracting work to ITPs. I understand Skills Funding Agency guidance is for a maximum of 15% whereas several ITPs have indicated that 30-50% of the funding is routinely retained by the main provider for administration etc. As this will directly impact on the amount of funding available to support an SME, it is a concern which is compounded by the sometimes higher cost of providing training to SME apprentices, as flagged in Section 2.5.

**Potential Action:** Government to explore mechanisms that ensure sufficient funding arrives at the SME and is not unreasonably absorbed by primary or sub-contractor training provider margins.

### **Part-time apprentices**

Undertaking an apprenticeship part-time is within the rules as long as a minimum of 16 hours work per week are undertaken and the duration of the apprenticeship is extended appropriately. However, I am aware of some confusion amongst SMEs about whether this arrangement is generally permissible or whether it is only under certain circumstances. This issue has been raised very late in my Review and I have therefore been unable to investigate it. However, there appears to be a need to clarify the position. My own view is that, as long as a minimum of 16 hours of work is undertaken, doing a part time apprenticeship should be permissible under most circumstances where it suits the employer. Part-time workers form the backbone of many SMEs, so this is an important issue to resolve.

**Potential Action:** Government to clarify the position on employing part-time apprentices.

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# Annex C – Additional Information

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## Recruiting first, apprenticeships second (relates to Sections 1.4 and 3.3)

Whilst some consultees have questioned whether providers should be involved in the recruitment process (i.e. is involving them just adding an extra and unnecessary cog in the wheel in a process which could actually be done more efficiently without them?), most of the SMEs I have spoken to who have taken on apprentices have greatly valued the provider's assistance.

Nonetheless, despite the useful role providers can play in helping to recruit an apprentice, it seems odd that all the process guidance puts the provider at the centre of the recruitment process for an apprentice.

When an employer decides to take on an apprentice why can't they find someone via their normal local recruitment process, try them out for a trial period and, if they are up to the job, find a provider and put them on an apprenticeships programme? The answer is that there is absolutely nothing to stop an employer doing this at all. However if an employer has in mind from the outset that they want an apprentice, they tend to assume (and indeed are led to understand) that the employee needs to be an apprentice from day one. If an employer delays that element, not only can they proceed with recruiting someone immediately, but they can also get the comfort of testing out the person first (which has been a plea made by a number of SMEs I have spoken to).

This approach is not without problems. The employee could not be put on the Apprenticeship National Minimum Wage (ANMW) if they were not an apprentice to start with, but most apprentices in most sectors earn close to or beyond the National Minimum Wage anyway<sup>14</sup>. It is also possible that the employer will never get around to turning the job into an apprenticeship. However, these are not good enough reasons for not ensuring employers are aware of this option.

**Potential Action:** Government to consider the most effective method to create awareness for this undersold possibility, and possible mechanisms which would ensure employers do not lose out financially, should recruitment lead to an apprenticeship.

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## The perceived burden of employment rights (relates to Section 1.4)

Many SMEs seem to think that taking on an apprentice means making a cast iron commitment to retain that person until the apprenticeship is completed, with the apprentice having employment rights that go beyond those enjoyed by other employees.

14 BIS Research Paper Number 64 – Apprenticeship Pay Survey 2011

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Clearly it is desirable that an apprentice remains employed by a company for the duration of their apprenticeship (and beyond), both so that the apprentice has some stability during their training and so the employer gets the ultimate benefit of having a fully qualified apprentice. However, it is not the case that apprentices have explicit additional employment rights that require this.

Most employees have a 'Contract of Employment' or a 'Contract of Service' with their employer and, as such, are entitled to rights under the Employment Rights Act. Beyond this, there have been a small number of cases where a Court has decided that a 'Contract of Apprenticeship' applies. This is usually where training rather than employment was felt to be the main purpose of the relationship. Whilst there is no statutory definition for such a contract, it generally involves different, and additional, rights to contracts of employment.

However, under the Apprenticeships, Skills, Children and Learning Act 2009 (ASCL), all apprentices must be working under an 'Apprenticeship Agreement' which is to be treated as 'a contract of service.' (ie a contract entitling apprentices to the standard employment rights under the Employment Rights Act). The provision of ASCL relating to Apprenticeship Agreements came into effect on the 6 April 2012. From this date a contract between employer and apprentice will be considered a Contract of Service rather than a Contract of Apprenticeship.

**Potential Action:** Ensure all marketing materials reflect the current position on employment law in relation to apprenticeships.

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### **New statutory duty on schools (relates to Section 1.6)**

A new duty from September 2012 requires schools to secure independent impartial careers guidance for their pupils in years 9-11 on all post-16 education and training options, including apprenticeships. Subject to consultation, the age range of this new duty will be extended down to Year 8 and to young people aged 16-18 in schools and colleges.

I welcome the new duty in principle. However it remains to be seen what its impact will be in practice. For instance, the associated statutory guidance does not explicitly require schools to procure independent face-to-face guidance for all of its pupils, and no additional funding will be made available to procure the independent advice.

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*“It is encouraging that the Government has recently issued new statutory guidance to schools to try and ensure that pupils are receiving impartial advice on both academic and vocational post-GCSE options, including apprenticeships. The big issue is whether schools will comply unless checks are made and this is why we feel that Ofsted inspectors should have an important role in enforcing the statutory guidance.” (Paul Warner, Director of Employment and Skills at the Association of Employment and Learning Providers).*

I understand that Ofsted will conduct a thematic review of careers guidance next year and I hope that the Government will listen carefully to that Review’s findings. Also, if the duty will not require the provision of independent face-to-face Information, Advice and Guidance (IAG), it will be all the more important that tools such as the new National Careers Service (NCS) and PLOTR<sup>15</sup> websites along with the NAS website are fit for purpose.

In the context of the allegation that schools push everyone towards their sixth form, I also welcome the introduction of the new Key Stage 4 destination measure for schools. I understand this will be published for the first time in July and will show what individual school’s pupils go on to do at 17. The first phase will cover education destinations including apprenticeships. This new accountability tool should influence how schools prepare their pupils for progression beyond KS4, as no school will want to have high numbers of young people not in employment, education or training. It should therefore act to discourage schools from pushing pupils towards options that are unsuitable for them, as that would involve a greater risk of drop out.

**Potential Action:** Government to be mindful that the impending changes to IAG provision in schools may make it harder to counter the existing prejudice against apprenticeships. This makes it imperative that the NCS, NAS and other websites are kept up to date and fit for purpose. Consideration is also needed of how to address results from the destination measure where schools under perform.

<sup>15</sup> [www.plotr.co.uk](http://www.plotr.co.uk): a new industry-led resource to inspire young people and help them build plans for their futures, supported by one-off matched funding from Government.

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# Annex D – Glossary of Terms

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AELP	Association of Employment and Learning Providers
AGE	Apprenticeship Grant for Employers
AoC	Association of Colleges
ATA	Apprenticeship Training Agency
AV	Apprenticeship Vacancies
BIS	Department for Business, Innovation & Skills
DfE	Department for Education
DWP	Department for Work and Pensions
EOP	Employer Ownership Pilot
GTA	Group Training Association
HTI	Head Teachers and Industry
ITP	Independent Training Provider
LEP	Local Enterprise Partnership
NAS	National Apprenticeship Service
NCS	National Careers Service
NEET	Not in Education, Employment or Training
NSA	National Skills Academy
SFA	Skills Funding Agency
SME	Small and Medium-sized Enterprises
TUC	Trades Union Congress

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# Annex E – Holts Group – examples of activities promoting apprenticeships/ vocational training

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## **Holts Lapidary, Hatton Garden**

Established 1948. Precious gemstones and diamonds. Specialisms: lapidaries (stone cutters); fine jewellery craftsmanship; bespoke design; restoration; advisors and appraisers. Awards: UK Jeweller of the Year; National Training Award.

*Examples of apprenticeship and vocational training - Of a team of 20, 6 started as apprentices at Holts, all of whom remain and hold the most senior positions in the company, with an average length of service exceeding twenty years.*

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## **Holts Academy of Jewellery, St Cross Street, Hatton Garden**

Established 1999. Not-for-profit training provider for the UK jewellery trade. Specialisms: provision of nationally accredited qualifications in jewellery manufacturing and design from levels 2-4, including apprenticeships at level 2 and 3; continual professional development in business and entrepreneurialism. Awards: Queens Award for Enterprise Promotion (to Jason Holt).

*Examples of apprenticeship and vocational training - Of a team of 25, 2 apprentices are employed. Delivery and completion of 60 apprentices 2011/2012 and anticipated start of 158 for 2012/2013 with 850 diploma completions at levels 2, 3 and 4.*

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## **Jewellery Innovations, Goldsmiths Centre, Clerkenwell**

Established 2006. Fine jewellery manufacturer for the UK trade. Specialisms: In-house computer aided design; hand-made craftsmanship; casting, setting and manufacturing expertise for retailers and wholesalers requiring a UK based jewellery manufacturing resource.

*Examples of apprenticeship and vocational training - Of a team of 5, 1 apprentice is employed and the Head of Technology delivers much of the computer aided design provision for Holts Academy.*

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## **Holition - Holition Travel Retail - Holition Clothing - Shoreditch**

Established 2009. Joint venture between Holts and Inition. Augmented reality software developers. Specialisms: creative digital 3D experiences for luxury brands using emerging technologies.

*Examples of apprenticeship and vocational training - Of a team of 15, the brand director of Holition originally started the company with Holts as a graduate under the Knowledge Transfer Partnership Programme in conjunction with a level 4 NVQ in management.*

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# Annex F – Acknowledgements and Contributors

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I would like to thank everyone who has given up their valuable time and shared their experiences and ideas with me over these past four months. Whilst there have been differences of opinion, there is one thing that all agree on, and that is the value and benefit of apprenticeships. I am grateful to everyone below for their enthusiasm, encouragement and belief. I also apologise to any contributor who I have accidentally forgotten to mention below.

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## **Advisory Group**

Pam Calvert (Communications Management); Alex Jackman (Forum for Private Business); Ceri Jones (Social Enterprise UK); Iain MacDonald (Electrical Contractors Association); David Pollard (Federation of Small Businesses); Glenn Robinson (National Apprenticeship Service); David Sampson (BIS/DfE Apprenticeships Unit); Peter Taylor (Goldsmith's Centre); Anne Tipple (British Chamber of Commerce); Andrew Turner (BIS).

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## **Organisations that I and/or David Sampson (BIS/DfE) have spoken to:**

AJS Labels; All About Tourism; Apprenticeship Ambassadors Network; Apprenticeships England; Arvanza Ltd; Association of Colleges; Association of Employment and Learning Providers; Aston University; Atlas Computing; Aurora Fashions; Baltic Training; Bentley Motors; Biggin Hill Airport; Bishop Stopford School; Bracknell & Wokingham College; Britannia Row Productions; British Jewellers' Association; Capital Enterprise; Career SoS; Careers Profession Alliance; City Gateway; Confederation of Apprenticeship Training Agencies; Confederation of British Industry; Construction Skills; Construction Skills Certification Scheme; Cravats of London; Creative and Cultural Skills; Denbigh High School; Department for Business, Innovation & Skills; Department for Education; Dove House School; EEF; Energy & Utility Skills; Ensafe Consultants; Fairgrove Homes; Farebrother Chartered Surveyors; Foremost Security; Give a Grad a Go; Graduate Unleashed; Greater London Authority; GTA England; Robert Halfon MP; Halls Locksmiths; Hoile Associates; Hot Courses; IMPACT Apprenticeships; Institute for Family Business; Institute of Financial Accountants; JHP Training; J N Enterprise; K&M McLoughlin Decorating Ltd; London Borough of Camden; London Borough of Islington; London Chamber of Commerce; Middleton Murray; National Apprenticeship Service; National Association of Goldsmiths; North Hertfordshire College; Northumberland College; Nottinghamshire and Derbyshire Chamber of Commerce; Notts County FC; Ofsted; Optimity; Peter Jones Enterprise Academy; Martyn Price (Construction Skills Consultant); ProSkills; Rayner & Sturgess; RDL Corporation Ltd; Rolls Royce; Sandwell College; SEC Recruitment; Sir Robert McAlpine; Skills Funding Agency; Skillsmart Retail; South London Business; South Nottingham College; Springboard; Stratford upon Avon

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College; TCL Packaging; Technical Apprenticeships Service; The Energy Crops Company; The Law Society; Tower Hamlets College; Trades Union Congress (including all the apprentices in the TUC focus group); Tuckers Consultancy; UK Commission for Employment and Skills; UK Contractors Group; Professor Lorna Unwin; Vocalink; Walsall College; Warren Services; Westminster Kingsway College; Yield Construction.

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### **Survey respondents**

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### **Other personal and business contacts I have pestered**

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