

Enterprise and Business Committee

APP11

Inquiry into Apprenticeships

Evidence from Forum of Private Business



The business people – an extension to your team

Enterprise and Business Committee

**Inquiry into
apprenticeships in Wales**

April 2012

Introduction

The Forum of Private Business is a proactive, not-for-profit organisation providing comprehensive support, protection and reassurance to 18,000 small and micro businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

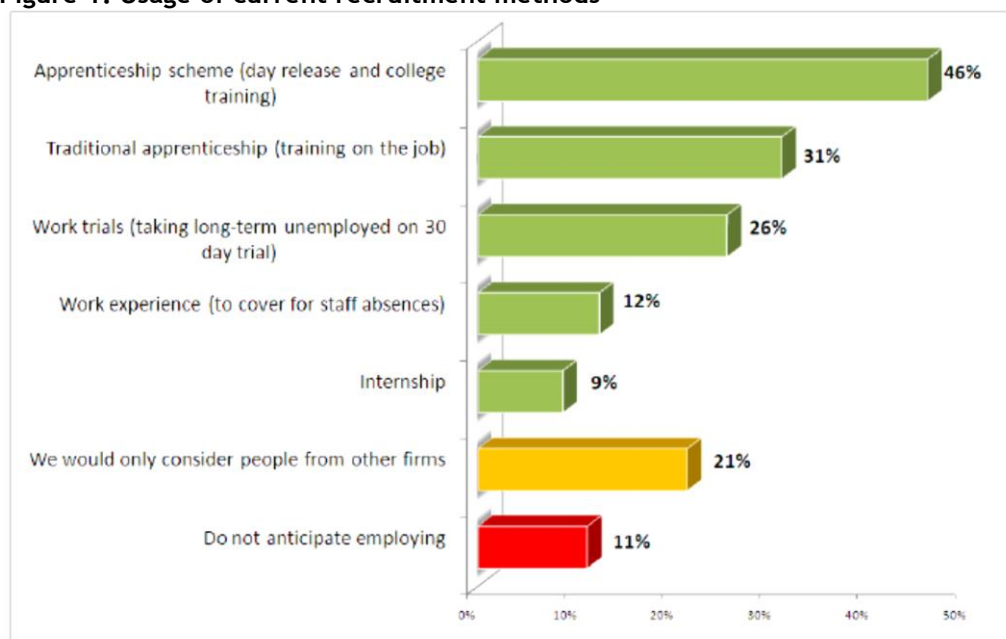
Apprenticeships are vital to the Welsh economy, as a skilled workforce is needed to support small business growth. Small businesses make up a large part of the economy as they account for 99.2% of all private sector enterprises in the UK and make up 46.2% of total employment¹. Therefore the Welsh Government must support and incentivise these firms to take on young people if it wants to achieve significant growth in apprenticeship numbers.

This paper will start by focusing on the reasons why small businesses use apprentices and will then touch on the main themes and issues raised by our members, as well as specific questions raised by the committee. Unless otherwise stated, the research or member views referred to in this submission are from our focus groups on apprenticeships (conducted summer 2011) and our training and skills panel research reports from September 2010 and August 2011.

The Forum would be more than happy to provide oral evidence to supplement this written response.

Training methods used by small businesses

Figure 1: Usage of current recruitment methods



“I have tried all of the above with a high degree of success, I prefer to use some kind of trial/internship/apprenticeship to just taking someone on and crossing my fingers as both the employer and employee need to know that there is a good fit.” Panel member response

Our training and skills member panel results reveal government-sponsored apprenticeship schemes are the most frequently used methods of training-based recruitment, with 46% stating that they would use this method. This is even more significant as 31% of businesses would only consider employment from other firms or cannot see themselves employing in the foreseeable future.

Most panel members felt that this was the best method of recruiting as it allowed recruits to get college training as well as practical on-the-job training and enables them to make mistakes on more skilled

¹ Department for Business statistics - <http://www.bis.gov.uk/analysis/statistics/business-population-estimates>

aspects of the job away from the workplace. The college element also allows businesses a break from ‘babysitting’ apprentices.

General on-the-job training or a more traditional apprenticeships were more useful for some, particularly where no apprenticeship scheme was available locally or for less vocational subjects, where businesses felt that the workplace was the best way to get the skills needed (e.g. customer service/product knowledge).

However, while apprenticeships are popular methods of recruitment, some of our members have encountered problems with the quality of the training provider or the applicant. The current skills system is not meeting all of small businesses needs, an issue which must be addressed. In addition, we feel more could be done to encourage small businesses to take on more apprentices, particularly businesses that do not currently use apprenticeships as a method of recruitment.

Quality of apprenticeships and recruits

Is the current apprenticeship system providing effective support to the Welsh economy?

Is the current apprenticeship system meeting the current and future skills needs of employers in Wales? If not, what needs to be improved?

Do Careers Wales and Jobcentre Plus provide effective support for people wanting to find apprenticeships? Does the new Apprenticeship Matching Service, run by Careers Wales, work effectively?

Not all of our Welsh members use the Apprenticeship Matching Service to recruit apprentices. As figure 1 shows while government apprenticeships are popular with members, they are still used by fewer than half of respondents. Some businesses prefer local training schemes, while others run their own apprenticeships, which can be tailored more to the needs of the business.

The problem with apprenticeships is that the quality of courses varies across Wales. The evidence from our members suggests that training provision is patchy - some have had a great experience with apprenticeships, while others have struggled to find the framework to suit their business needs.

The issue for our members is that the majority of courses are not flexible, an attribute which is essential for a small firm. Businesses want courses they can tailor to their needs, as well as the needs of the recruit. A number of businesses at the focus group sessions said they would be more likely to use apprenticeship courses provided by local colleges, if they were able to pick and chose different modules, in order to help create a worthwhile course. Time is also a concern for small businesses, with 71% of Welsh members surveyed as part of Referendum 190² research stating that it was ‘very important’ that courses were timed to minimise the impact on their businesses.

There is also a lack of information available to small businesses and therefore they find it difficult to navigate the complex system, which is made up of numerous courses.

“The whole provision area for better this and better that is such a maze with information so complex to understand that it turns people away from looking seriously as it becomes a chore. Everything - like all Government red tape - needs to be simplified and (made) more accessible”. **Panel member response**

For instance, our members say there is not enough information about the courses on offer or their effectiveness. Information on training and skills is not available to access all in one place. The Welsh Government’s apprentice website page provides a useful starting point for businesses, but this covers mostly government apprenticeship provision and not necessarily courses offered by colleges or other providers in the local area. Small business owners are time poor so are unable to source all the relevant information. Lack of information is one of the reasons small businesses struggle to access courses in the first place, with 50% of respondents to our 2011 panel reporting that access to training and grown worse in the past 12 months.

² Forum of Private Business Referendum 190

<http://www.fpb.org/images/PDFs/referendum/FPB%20Referendum%20190%20report.pdf>

Data on the effectiveness of courses is especially important because small firms need good quality courses that increase competency. As they have fewer resources to cover an employee that is absent due to training, they cannot afford to waste these resources on training that does not benefit the business.

Some businesses felt that training providers had a role to play in addressing this issue by taking a more proactive role in terms of interaction with the local business community.

“As a managing director, I have yet to have anyone even contact me about skills education.” Panel member response

If colleges had a better relationship with local businesses in the community, they could let them know about the courses on offer and could potentially help to tailor apprenticeship courses to business needs. This could also increase the number of small firms taking on apprentices as the colleges would be able to outline the benefits to the business. Members also feel JobCentre plus could improve its performance, as there have been instances where businesses owners have contacted their local job centre to offer a work experience placement and have had little response. If JobCentres’ want to fulfil their role in supporting the Welsh economy, they must ensure they respond to business queries and assist where possible. It is important for both the small business community and young people that any potential work experience opportunities are maximised.

As well as the quality of the courses and the role of training providers, there is an issue with the quality of recruits. Our panel research revealed that a large number of respondents believe young people are not adequately prepared for the workplace. Business owners were critical about the attitudes of young people and the soft skills they possessed, rather than core skills such literacy and numeracy.

“The college leavers we have for hotel work have generally been working unrealistic hours at college both in time during the day and hours during the week. They also appear to have all the basic cleaning work done for them by technicians and have the attitude that they do not need to clean. This is concerning as clean premises are FUNDAMENTAL to this business.” Panel member response

Owners pointed out that young people are taught no first aid or health and safety skills, and leave school sometimes lacking any common sense. This makes them very resource-intensive in both management time and for insurance purposes.

Problems with time-keeping were also highlighted, with businesses indicating that class hours and a lenient view of absence have meant that school leavers are not prepared to do unsocial hours or even to get up early. Also, owners complained that crucial but menial tasks were considered by school leavers to be beneath them and in some cases they refused to do the work.

Small businesses believe that part of the reason for these attitudes is that students are not trained in employability. 65% of respondents to our training and skills panel felt that a greater focus on employability skills would make them more likely to take on young people. Apprenticeship courses could tackle part of the problem by offering more basic training modules which give lessons on the importance of time-keeping and other attributes valued by employers. This would help young people to improve their employability and would aid small businesses in recruiting someone with a good attitude to the workplace.

Small firms also need more support in helping to find the right applicant for the job. There are training providers that offer this service, by sifting through applicants, but this is not available to those who run their own apprenticeship. Our members have said the Welsh and UK Governments could help by making it easier to let unsuitable recruits go, an idea which is explored in more detail in the next section.

What could be done to help small firms?

In August 2011, prior to the funding announcements on apprenticeships by the Department for Business, Innovation and Skills (BIS) and the publication of the Welsh Governments Youth Engagement and Employment Action Plan, we asked our members what could be done to incentivise small firms to take on young people; the figures are available in figure 2.

Red tape is a frequently cited barrier to small businesses taking on young people. As discussed above, small firms would like the UK Government to make it easier to let new recruits go if they do not ‘fit’ with the business. Employment law can put small firms off employing people, especially young people such as

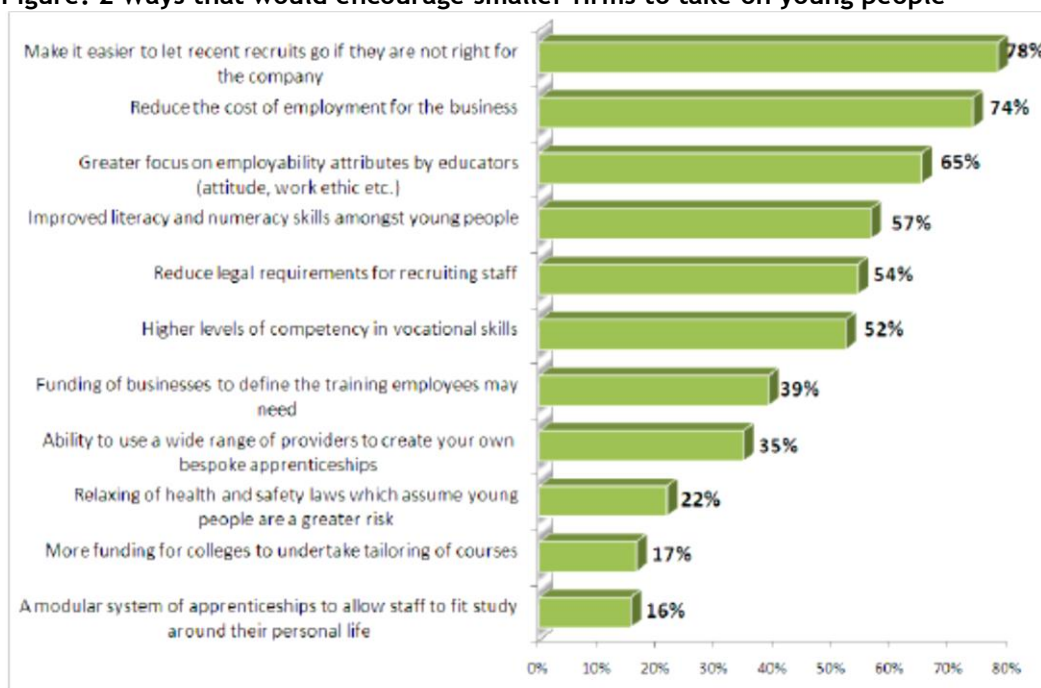
apprentices, as they are viewed as a recruitment risk due to lack of workplace experience. One of the focus group attendees had regularly recruited apprentices for a number of years but stopped after a bad experience with one recruit. He found it was almost impossible to let the person go and instead had to keep them on until the end of the apprenticeship. This was resource intensive to the business as the apprentice required a lot of supervision, without the return of a productive employee at the end of the training period. There should be greater support for small businesses from training providers when problems such as this arise.

22% thought health and safety was an issue. Risk assessments were cited as examples, as business feel they often lack common sense. One business owner commented during the focus group that she had been pulled up by an inspector for not having told a young person to wear flat shoes, because they could trip on the stairs if they wore a heeled shoe.

“To have work experience candidates in an abattoir would mean huge extra insurance costs.” Welsh panel member response (Referendum 190)

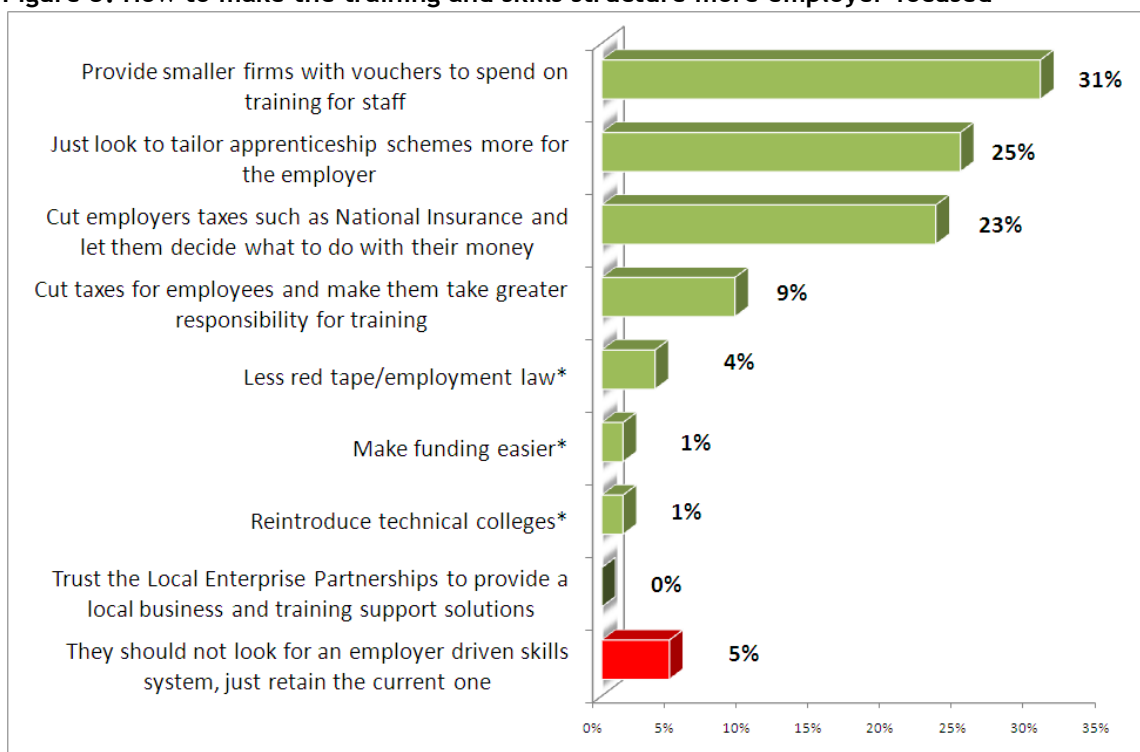
The UK Government has announced that all employers who go through the National Apprenticeship Service (NAS) - which includes the Apprenticeships Matching Service - and already meet national standards will not be required to comply with any additional health and safety rules. This measure is welcome and will help to reduce the health and safety requirements for those who take on apprentices through the NAS and some training providers. However, as we understand it, this measure will not apply to all training providers. Local colleges often require extra health and safety inspections to be carried out prior to placements, so we would like to see this exemption extended to all apprenticeship courses. This is an area we feel the Welsh Government could address through its links with schools and colleges.

Figure: 2 Ways that would encourage smaller firms to take on young people



Making the system more employer-focused was a theme that emerged in both the panel research and the apprenticeships focus groups. We explored this theme in more detail in figure 3 by asking how the training and skills system could become more employer focused.

Figure 3: How to make the training and skills structure more employer-focused



Panel respondents favoured the idea of extra funding or tax breaks to incentivise small firms to take on young people. Therefore the announcement from the UK Government of the incentive payments for small businesses who take on apprentices is welcome. When asked about the specifics of the funding, the average level of subsidy businesses wanted to see was £1,590, with the majority of respondents feeling this would be best distributed in quarterly instalments across two years. The current funding announcement proposes a £1,500 payment for small firms with the payments split across two instalments. Although the method of payment is not the same as suggested by our members, the level of subsidy is about the same as the amount announced.

While this subsidy is welcome, again it applies only to businesses that go through the NAS. We feel there should be further incentives for businesses who wish to provide their own apprenticeship schemes or for those who want to conduct more general training, such as up-skilling staff - an option the Welsh Government could explore.

The Welsh Government is encouraging Community Benefits clauses in public sector contracts which can be used to promote the employment of trainees and apprenticeships. Is this an effective mechanism for increasing the numbers of apprentices?

While the Forum believes it is right to encourage small firms to take on young people and to reward them for this effort, we feel it should not become compulsory for councils to include such clauses in public sector contracts. Some small firms, particularly startup and microbusinesses, are unable to provide apprenticeships and so they should not be penalised for this. Other factors, such as cost to the taxpayer, should also be taken into consideration. Therefore at this stage we believe that it is right that Community Benefit clauses remain optional, rather than compulsory.

Recommendations

The Welsh Government has taken some important steps in the area of apprenticeships, by providing funding to firms taking on young people and by highlighting the benefits to employers through the '2012 Year of the Welsh Apprentice' campaign. However, as outlined in this submission, a number of barriers to taking on apprentices remain. The Welsh Government must go further, by working with the local community and the UK and European Governments to make it easier for small firms to employ apprentices;

- i. **Make apprenticeships more small business friendly** by providing more information and by breaking the scheme down into smaller chunks. 46% of our businesses have used the apprenticeship scheme to recruit and train individuals but 1 in 4 would like to see the scheme more tailored to their needs. New businesses could benefit from taking on young staff and developing them over time along the lines of a modular course. This would allow them to prioritise the skills needed for the business as well as improve staff morale. At present, members report that freelancers are preferred over apprentices. They offer more flexibility and require less training. They also do not involve NI and other costs. Agencies need to stop imposing many rules and conditions on placements to incentivise small employers to take on young apprentices.
- ii. **Incentivise and reward small businesses to take on young people.** Although apprentices are productive and start to pay back after three years according to BIS research, this is too long for a small business, who need funding to cover training costs and some of the wages. While we welcome the announcements on apprenticeship subsidies through the Youth Contract, we feel such incentives should be extended to those who conduct in-house training, either through subsidies or tax breaks.
- iii. **Work with businesses to deliver training provision that meets local needs.** Whilst we call for all skills offerings to be brought together and well signposted, we also believe training providers must work with small businesses to better understand the needs of the local community and create courses which reflect the job opportunities in the labour market. A more proactive approach in reaching out to businesses will better shape the schemes they are offering and the benefits to small firms will become clearer in the process.
- iv. **Simplify other aspects of the training schemes.** The recent announcements on reducing health and safety compliance for small businesses that employ apprentices are welcome, but this reform should go further in cutting red tape, by reducing employment law burdens and making it easier to let unsuitable apprentices go.

As well as recommendations on apprenticeships, we believe improving the skills system more generally would help to improve the quality of training schemes. In our submission to the growth review stage two we called on the UK Government to make the following changes - changes which must also be explored by the Welsh Government;

- i. **Improve the employability skills of pupils.** Small businesses need employees that are, if not always job ready, then certainly workplace ready. Basic soft skills should tackle some issues but more emphasis on links between schools and businesses may help with attitudinal issues. We believe the Government should reconsider its plans to remove statutory work experience for 14 to 16 year olds. The wider the variety of workplaces that a pupil visits, the better the chance they will not just find a vocation that suits them, but they will learn from direct exposure some of the soft skills needed for work.
- ii. **Announce a plan to bring together skill offerings in one place,** on the new Business Link website, complimented by a diligent call centre that can signpost businesses to appropriate providers. Many small businesses lack the resources - both administrative and financial - to invest in a trawl of what skills training is available. Overall access to training has grown worse over the last 12 months, as business support schemes are in limbo and businesses are not making the profits to afford training schemes. Business Link and Connexions were cited by our members for offering little help when approached and with the introduction of Local Enterprise Partnerships to the already confusing landscape, employers need clear advice as to where to go for their skills' needs.

About the Forum of Private Business

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses.

The organisation aims to deliver an exceptional service to its members, adding value through the provision of practical, tailored solutions that promote business success, and by being their voice in government.

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