



# Apprenticeships: The Employer View

December 2016



# About The 5% Club

Founded in 2013, The 5% Club is an employer-led campaign focussed on driving momentum into the recruitment of apprentices and graduates. Members include FTSE-listed firms and SMEs from a wide range of sectors, across the UK. By joining the campaign, members commit to ensuring 5% of their workforce consists of apprentices, graduates on formal programmes and sponsored students. The pledge also asks members to publicly report their progress in their Annual Report.

Our members support The 5% Club because they believe this is a really important campaign. Of course, top-quality training is the key to bridging the critical skills gaps in sectors which fuel growth and keep the country globally competitive. Earn and learn schemes result in a workforce tailored to employers' requirements. But in addition to the obvious benefit to employers, it is also vital that industry plays its part in helping young people find their routes into fulfilling careers. 624,000 young people aged 16-24 were unemployed in June-August 2016<sup>1</sup>, in spite of the fact that many employers are struggling to fill vacancies: in 2015, there were 209,000 reported skill-shortage vacancies – an increase of 43%<sup>2</sup>. In some cases, this is due to a mismatch between available skills and the needs of employers – something our members aim to tackle. And apprenticeships mean jobs: in a recent survey of members, 79% said they offer over three quarters of their apprentices a full time job upon completion of their training schemes.

In setting up The 5% Club, we wanted to encourage leading firms of all sizes to set a clear example for many more employers to follow. We believe that the aim should be to build a world-class vocational system in the UK that is innovative and diverse, meets the future skills needs of business and supports the aspirations of our young people in the UK.



<sup>1</sup> ONS, Labour Market Statistics, October 2016

<sup>2</sup> UK Commission for Employment and Skills, Employer Skills Survey 2015: UK Results, January 2016

# Executive summary

The UK skills agenda has had some notable focus recently, with the Government prioritising on-the-job training by setting a target of 3 million new apprenticeships by 2020 and bringing forward an apprenticeship levy. It is crucial that we maintain this momentum since, ambitious as these plans are, they are unlikely to be enough to plug the skills gap some industries are facing. Beyond the element of “catch-up”, the demand for higher-level skills in British industry is set to increase in the years ahead and with uncertainty surrounding the free movement of people following the Brexit vote, we may need even more skilled workers than predicted.

The 5% Club conducted a survey of its members upon its third anniversary. Two clear themes emerged from the survey results:

- Brexit will not impact how many apprentices member companies will recruit.
- More should be done to attract young people into apprenticeships, with many respondents highlighting the lack of information about such opportunities – and the attitudes of career advice generally, which favour university – as a barrier to their attractiveness as a career path.

The conclusions we draw from these themes and the discussions we have had are:

1. Apprenticeships could be a key driver in helping to bridge the widening skills gap after the UK's decision to leave the EU.
2. If, as we hope, the Brexit negotiations are successful and lead to an upsurge in economic growth, the need to increase the number of skilled workers, especially level three apprenticeship numbers, will be more pressing than ever.
3. Apprenticeships offer a tried and tested way for employers to equip new recruits with the skills they need to maintain the dynamism of their companies.
4. We need to educate young people about all the options available to them. That means higher-profile championing of alternative routes such as apprenticeships and traineeships.
5. There is a need to address factors contributing to a lack of awareness surrounding technical and professional education (TPE). Alongside the target and levy, we need a broader public awareness campaign to break down some of these misunderstandings and to champion technical, practical and vocational learning.

# Brexit's impact on hiring

Access to talent is key to sustainable economic growth and prosperity. Some of the main issues discussed during the campaign in advance of the referendum on the UK's membership of the EU were employment law, immigration and employers' ability to access the skills. Following the vote to leave the EU, these areas will potentially be subject to change. At the moment, however, we know very little either about the shape of Brexit itself, the terms which will be negotiated for the UK's relationship with the EU, or what the impact will be on employers and the UK labour market. Will the UK still be able to rely on skilled migrant workers from EU; or can it train enough home grown talent to meet demand? Or will Brexit potentially have such an impact that fewer skilled workers are needed in some sectors?

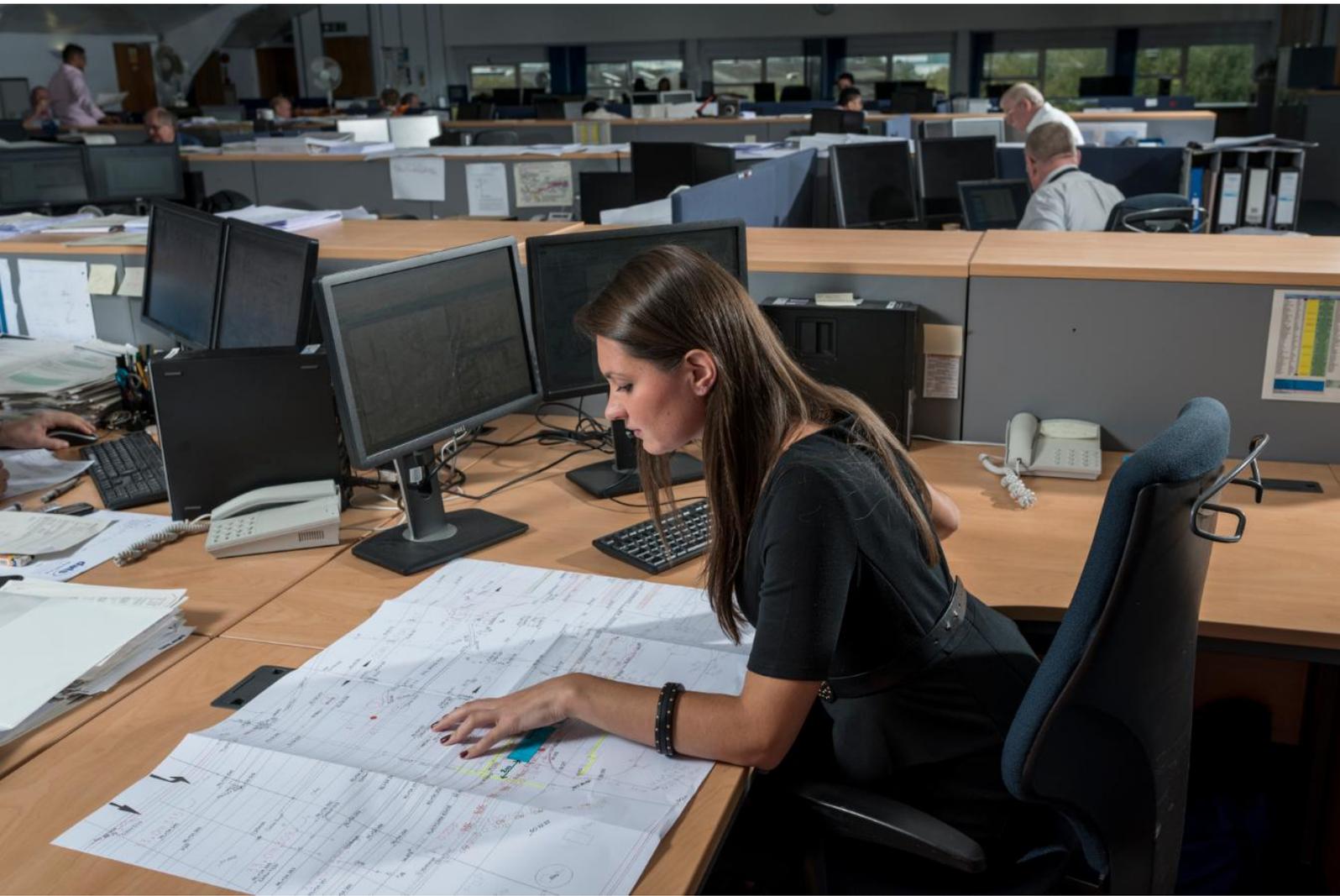
89% of respondents to the survey said that Brexit will not have an impact on hiring decisions<sup>3</sup> in relation to the number of apprentices they take on.

In some industries, losing access to skilled workers from elsewhere in the EU would present difficulties. Apprenticeships could be a key driver in helping to bridge this widening skills gap after the UK's decision to leave the EU; and if, as we hope, the Brexit negotiations are successful and lead to an upsurge in economic growth, the need to increase the number of skilled workers, especially level three apprenticeship numbers, will be more pressing than ever.

In either case, our survey shows our members are taking action now by recruiting new apprentices to future proof their workforce: apprenticeships offer a tried and tested way for employers to equip new recruits with the skills they need to maintain the dynamism of their companies.



<sup>3</sup> Exact question: In light of Brexit, are you more or less likely to increase the number of apprentices that you take on?



## Attracting new apprentices

The survey revealed that most of our members recruit apprentices via word of mouth and outreach programmes<sup>4</sup>. However, 76% of respondents highlighted that the greatest barrier to young people taking up an apprenticeship is a lack of information about opportunities, followed closely by an emphasis on pursuing higher education (73%)<sup>5</sup>.

Of course, we should not deter students from choosing academic routes – indeed The 5% Club also embraces graduate trainee programmes and sponsored students – but we need to educate young people about all the options available to them. That means higher-profile championing of alternative routes, which in recent years have been seen as a less worthwhile option than entering higher education.

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<sup>4</sup> Exact question: In your view, what are the most successful means of attracting individuals to apply for apprenticeships? Tick those that apply (10 options).

<sup>5</sup> Exact question: From your perspective, what are the greatest barriers to young people taking up an apprenticeship? Tick those that apply (6 options).

To this end, 90% of respondents to the survey believe that improving the quality of information offered by schools' careers services could help change the image of apprenticeships at a national level, while 87% felt that more should be done at a government policy level to promote apprenticeships as a valid alternative to University.

We believe that there is a need to address factors contributing to a lack of awareness surrounding technical and professional education. This includes tackling the lack of knowledge and in some cases, snobbery, amongst parents and teachers who believe that a degree is the key to success and that vocational routes are for those who are less intelligent. Alongside the target and levy, we need a broader public awareness campaign to break down some of these misunderstandings and to champion technical, practical and vocational learning. Many of The 5% Club's members have mature outreach programmes where their employees of all ages engage with schools, but more can and should be done to help change the image of apprenticeships and to tackle views such as that they are only for low paid manual trades. Parents want the best for their children but without all the facts, will be unable to support and advise them to make the best choices for their future. This can mean playing to their strengths and their learning styles – but also creating the foundation for highly rewarding careers, in many sectors. In fact, a large range of industries offer apprentices, from health and law to engineering and a recent report showed that in some sectors, the amount apprentices earn during their careers is over 200% more than graduates will earn over the same period<sup>6</sup>.

*“Careers advice in schools is solely aimed at higher education in our experience. Whilst individual teachers are more switched on to apprenticeships the general school advice is not in favour of apprenticeships. This needs to be addressed nationally.”* Member comment.

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<sup>6</sup> Productivity and Lifetime Earnings of Apprentices and Graduates, Barclays and the Centre for Economics and Business Research, August 2016

# Membership survey results in full

**1. In your view, what are the most successful means of attracting individuals to apply for apprenticeships? Tick those that apply.**

Outreach programmes with partnership schools	67%
Word of mouth	56%
School careers advice	48%
Social media	44%
The Government's "Find an apprenticeship" website	36%
Advertising and articles in the national and local press	23%
Job sites	21%
Marketing material	12%
Recruitment agencies	5%
Participation in schemes such as the "Two ticks"	2%

**2. From your perspective, what are the greatest barriers to young people taking up an apprenticeship? Tick those that apply.**

Lack of information about opportunities	76%
Emphasis on pursuing higher education	73%
Lack of relationships between colleges and businesses	53%
Availability of work experience placements	19%
Funding	18%
Availability of training providers	10%

**3. From your company's position, what are the greatest barriers to completing an apprenticeship? Tick those that apply.**

Personal motivation	56%
Change in personal circumstances	47%
Insufficient mentoring	26%
Financial reasons	26%
Inflexible programmes	19%
Range of experience	12%

**4. What more could be done, either by government or others, to change the image of apprenticeships at a national level? Tick those that apply.**

Improve the quality of information offered by schools' careers services	90%
At a government policy level, emphasise apprenticeships as a valid alternative to University	87%
Increase employer engagement with schools through partnerships	63%
Improve the representation of apprenticeships in the media	53%
Change the perception of apprenticeships by running a national campaign	50%
Nothing more needs to be done	2%

**5. Upon completion of their training schemes, what proportion of apprentices are you able to offer a full time job?**

76 - 100%	79%
11 - 25%	5%
51 - 75%	5%
Don't know	5%
26 - 50%	3%
We do not currently run an apprenticeship programme	3%
0 - 10%	0%

**6. What is your retention rate for graduates once they have completed their graduate programmes?**

76 - 100%	53%
We do not currently run a graduate programme	23%
51 - 75%	19%
26 - 50%	3%
0 - 10%	2%
11 - 25%	0%
Don't know	0%

**7. In terms of soft skills, are graduates significantly more prepared for the workplace than apprentices when they join your company?**

Yes, graduates are significantly more prepared for the workplace	30%
We do not currently run both a graduate and apprenticeship programme	26%
No, apprentices are significantly more prepared for the workplace	22%
Both are equally prepared for the workplace	22%

**8. In light of Brexit, are you more or less likely to increase the number of apprentices that you take on?**

Brexit will not have an effect on hiring decisions	89%
Less likely	6%
More likely	5%

**9. Will the Apprenticeship Levy encourage or discourage you to take on more apprentices?**

The Apprenticeship Levy will not have an effect on hiring decisions	39%
Encourage	31%
Discourage	19%
The Apprenticeship Levy does not apply to our business	11%

**10. Will the Apprenticeship Levy have an effect on other training opportunities, such as your graduate schemes?**

No, the Apprenticeship Levy will not have an effect on other training opportunities	52%
Yes, we will be reducing the number of other opportunities available	21%
Yes, we will be increasing the number of other opportunities available	14%
The Apprenticeship Levy does not apply to our business	13%

## Contact

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