Toolkit:
helping SMEs hire more apprentices

all party parliamentary group on

apprenticeships

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Foreword

On behalf of the All-Party Parliamentary Group on Apprenticeships we are delighted to publish this toolkit to help more SMEs recruit apprentices.

Of the 5.5 million businesses in the UK, over 99% are small and medium-sized businesses. SMEs are on the frontline of the UK skills market. If the government is going to meet its flagship target of three million new apprenticeship starts by 2020, more needs to be done to encourage businesses of all sizes to take on new apprentices. However, the APPG often hears evidence that SMEs struggle to engage with the system. The resources available to SMEs are often functional but not inspirational.

This toolkit provides practical advice and support to help SMEs hire more apprentices. We also make recommendations to government, LEPs, local councils and larger businesses to better promote apprenticeships to SMEs.

We hope you find this toolkit useful.

Catherine McKinnell MP
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February 2018

Introduction

Apprenticeships and skills policy continues to be a significant part of the economic agenda. The government introduced the Apprenticeship Levy in April 2017, which made significant changes to the way apprenticeships are funded and delivered. We welcomed a new Minister for Apprenticeships and Skills, Anne Milton MP, who brought with her a renewed commitment to deliver the government's target of three million new apprenticeship starts by 2020.

2017 also saw the launch of the government's long-anticipated Industrial Strategy White Paper, which seeks to address the UK's productivity gap by assisting businesses to develop the skills of the future. Alongside newly-created T-level technical qualifications, high-quality apprenticeship provision at all levels forms the backbone of the Industrial Strategy, rightly putting apprenticeships front and centre of the UK's economic strategy.

The benefits to the economy of a thriving apprenticeships system are clear, and businesses recognise their role too. Recent research by the National Apprenticeship Service shows that 96% of small and medium-sized enterprises (SMEs) who hire an apprentice report benefits to their business. Additionally, the government's own apprenticeship campaign Get in Go Far found that 70% of employers report improved product quality and services after hiring apprentices, while 89% say apprentices make their business more productive.

Despite this, SMEs still face challenges in delivering apprenticeships. Jason Holt published a review into the accessibility of apprenticeships to SMEs in 2012 which outlined a lack of awareness, insufficient SME empowerment and poor processes. For too many SMEs, these challenges still persist six years later. Before the introduction of the Apprenticeship Levy, the Federation of Small Businesses reported that just one in four SMEs had taken on an apprentice, and recent government figures on apprenticeship starts show that the number of apprenticeships continues to fall, with smaller firms facing particular difficulties.

This toolkit seeks to bridge the gap between the benefits that SMEs derive from employing apprentices and the challenges they face in engaging with the system. We also make recommendations of practical actions that government, LEPs, local councils and larger businesses can take to promote apprenticeships to SMEs more effectively.

The APPG has heard evidence that one of the biggest perceived barriers to SMEs hiring apprentices is how long and time-consuming the process is. However, new resources and additional support have become available which minimise the pressures of initially setting up a scheme.

We strongly believe that apprenticeships should be an opportunity not a hassle. Apprenticeships are a proven way to help businesses grow their own talent, reduce staff turnover and give the business the skills it needs to succeed.

TOP TIP

The government has published an easy to use guide to hiring an apprentice, including information specifically for SMEs:
https://hireanapprentice.campaign.gov.uk/

The basics - what do SMEs need to know?

- Apprentices are aged 16 or over and combine on-the-job training with studying for a work-based qualification (usually one day a week) - from GCSEs or equivalent up to degree level.
- The minimum apprenticeship contract is 30 hours a week with a minimum of four hours paid time devoted to education either at college or as work-based learning. There can be exceptions to this depending on the business.
- The National Minimum Wage for the first year of every apprenticeship is £3.50 per hour, which will rise to £3.70 per hour from April 2018. However, many employers pay above this amount. For every year after, you must pay the minimum wage for the apprentice's age.
- It takes between one and four years to complete an apprenticeship.
- Apprentices can be new employees or current members of staff looking to upskill or retrain.

What funding is available to SMEs to hire apprentices?

SMEs are able to take advantage of many funding opportunities:

- Employers with a pay bill of more than £3 million per annum pay a tax called the Apprenticeships Levy.
- Smaller employers do not have to contribute to the fund but can take advantage of the government's new digital service that helps employers to select an apprenticeship framework, choose training providers and assessment organisations, and post their apprenticeship vacancies.
- Employers whose pay bill is less than £3 million per annum will contribute 10% of

the cost of the training and assessment of an apprentice, and the government will 'co-invest' by paying the remaining 90%.

- There are now 15 funding bands for training ranging from £1,500 to £27,000. This means that employer contributions to training could be as little as £150 or up to a maximum of £2,700, depending on the type and level of the apprenticeship training.
- Businesses with a pay bill under £3 million per annum and with fewer than 50 employees will not pay for training if they recruit a 16-18-year-old apprentice.
- Both the employer, and the training provider they work with, will receive a support payment of £1,000 for employing a 16-18-year-old apprentice, or a 19-24-year old apprentice who was formerly in care, or who has an Education and Health Care plan.
- Employers are not required to pay National Insurance Contributions for apprentices under the age of 25 on earnings below the higher tax rate.

TOP TIP

The government resource Estimate my apprenticeship funding is a tool that employers can use to calculate how much the government will contribute towards the cost of training: https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/

What's the process for hiring an apprentice?

Employers may want to advertise vacancies using their usual recruitment process, but the National Apprenticeship Service manages an official online recruitment system for apprenticeships in England. This service is free and enables vacancies from employers to be viewed and applied for nationally by thousands of candidates that are registered on the system. The service is available at **https://www.gov.uk/apply-apprenticeship**

Employers are responsible for choosing the correct apprenticeship framework for their business (see below for more information) and the right training organisation to deliver it.

Employers can select a training provider from the Register of Apprenticeship Training Providers (**https://roatp.apprenticeships.sfa.bis.gov.uk/download**) and agree a total price for the cost of training and assessment. All training organisations are quality assured by Ofsted, so you can review the results of their assessments on the Ofsted website: **https://reports.ofsted.gov.uk/**

It is important that employers think about issues such as how they can actively recruit to address gender, age or ethnicity inequalities in the workplace. For example, BT worked with the Communication Workers Union to attract more women and ethnic minorities into engineering roles by creating job adverts targeted at these groups, placing adverts in women's magazines, and launching an internet campaign.

Employers are required to have:

- An apprenticeship agreement in place with their apprentice for the duration of the apprenticeship.
- A commitment statement signed by the apprentice, their employer and the training provider.
- A written agreement with training providers.
- An apprenticeship in place for at least one year.
- The apprentice on the correct wage for their age, for the time they are in work, in off-the-job training and doing further study.

TOP TIP

The government resource Find Apprenticeship Training gives employers easy-to-digest information on the choices available to them. Employers can easily search for and find a standard, framework and training provider, and compare one provider with another: https://findapprenticeshiptraining.sfa.bis.gov.uk/

What are Apprenticeship Frameworks and Standards?

Each apprenticeship is a set of qualifications, known as an Apprenticeship Framework, developed by a Sector Skills Council most relevant for the sector. Most fit into one of three levels – Intermediate, Advanced or Higher. The level of apprenticeship will depend on the level of duties you expect the candidate to complete and the level of candidate you want to employ.

Training organisations work closely with employers to find the Apprenticeship Framework that is the best fit for the role, the employer and the learner.

A typical Apprenticeship Framework includes:

- A nationally recognised vocational qualification.
- Functional skills such as team working, problem solving, literacy and numeracy, communication and working with new technology.
- A technical certificate such as a BTEC or City & Guilds (relevant to the specific Apprenticeship).
- Personal learning and thinking skills.

From 2020, the government is planning to replace Apprenticeship Frameworks with sets of Apprenticeship Standards.

Case study: JJ Churchill Ltd

Andrew Churchill
Managing Director, JJ Churchill Ltd

JJ Churchill is a small engineering business. We would not be the success we are without our apprentices. The majority of our 129 employees were apprentices and we recruit apprentices most years. Apprenticeships are one of the best investments a small business will ever make. We should all be using this fantastic recruitment and training route.

I'm clear on why more SMEs should take on apprentices:

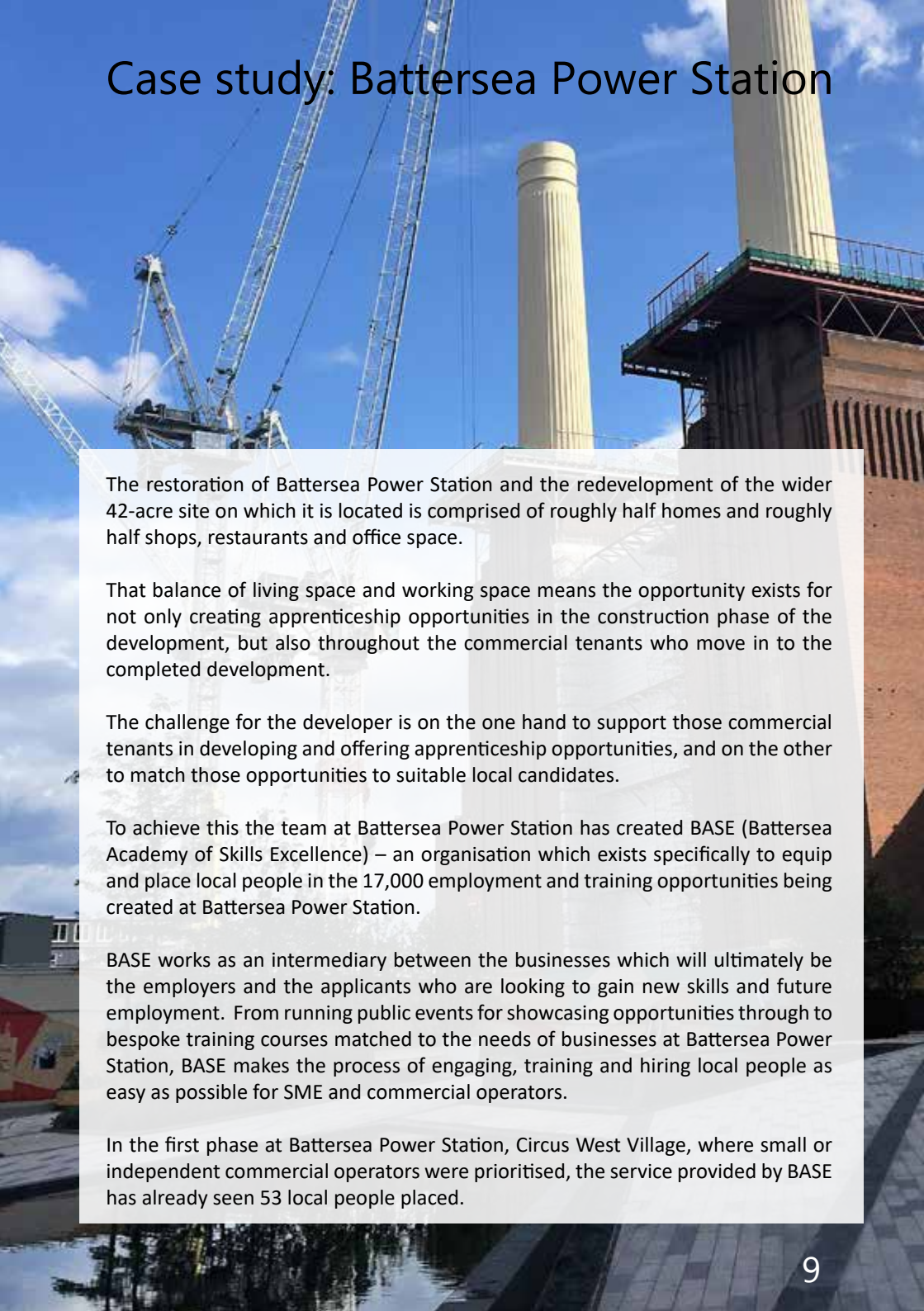
The levy makes hiring apprentices a no-brainer: Some businesses have struggled previously to justify spending money on skills and apprentices. The introduction of the levy takes away that decision with a "use it or lose it" system. It's easy to see the levy as "just another tax". But if you haven't already started training apprentices, it is a dedicated pot of money waiting to be spent – either on new apprentices or retraining and upskilling existing staff of all ages. Best to spend it on your business rather than waste it!

Increased productivity: A Centre for Economic and Business Research study says that the average successful apprenticeship increases productivity in Advanced Manufacturing & Engineering business by £414 per week. A portion of the productivity gains from apprenticeships is passed on to workers as higher wages. The remainder will go to employers as increased profits. Meaning a better pay packet for our employees and increased growth for our businesses – something we can all celebrate.

Energise your business with the best new talent – especially on tech: One of the things I love most about hiring apprentices is their enthusiasm and passion. The recent Industry Apprentice Council report shows that 98% of engineering apprentices love their career choice. What a fantastic endorsement. What apprentices bring to a business is a new perspective and enthusiasm. This is extremely important when thinking about the pace of technological change. Our apprentices already have a grasp on emerging technologies like Artificial Intelligence. They are an essential resource for the company to navigate the changes we are seeing and will help us make a success of these new technologies.

My top tips for a successful apprenticeship programme are to engage with your local schools and find a partner with experience of managing and delivering excellent apprenticeship programmes who can help you.

Case study: Battersea Power Station



The restoration of Battersea Power Station and the redevelopment of the wider 42-acre site on which it is located is comprised of roughly half homes and roughly half shops, restaurants and office space.

That balance of living space and working space means the opportunity exists for not only creating apprenticeship opportunities in the construction phase of the development, but also throughout the commercial tenants who move in to the completed development.

The challenge for the developer is on the one hand to support those commercial tenants in developing and offering apprenticeship opportunities, and on the other to match those opportunities to suitable local candidates.

To achieve this the team at Battersea Power Station has created BASE (Battersea Academy of Skills Excellence) – an organisation which exists specifically to equip and place local people in the 17,000 employment and training opportunities being created at Battersea Power Station.

BASE works as an intermediary between the businesses which will ultimately be the employers and the applicants who are looking to gain new skills and future employment. From running public events for showcasing opportunities through to bespoke training courses matched to the needs of businesses at Battersea Power Station, BASE makes the process of engaging, training and hiring local people as easy as possible for SME and commercial operators.

In the first phase at Battersea Power Station, Circus West Village, where small or independent commercial operators were prioritised, the service provided by BASE has already seen 53 local people placed.

How government, larger businesses and others can help SMEs

Last month the government published figures on the number and types of apprenticeships started in Q4 2017, the second quarter since the Apprenticeship Levy came into force. The figures showed the number of new apprenticeship starts had fallen by 30% against the same time the year before. 40% of the new apprenticeship starts came from levy-paying employers, meaning the majority of companies starting new apprenticeships do not pay the levy.

Government

If the government is going to meet its flagship target of three million new apprenticeship starts by 2020, more needs to be done to encourage all businesses to take on new apprentices. From April 2018, levy paying employers will be able to transfer 10% of their annual funds to any other employers through the apprenticeship service. The APPG believes that the government should urge businesses to prioritise transferring some or all of their vouchers to SMEs in their supply chain, sector or community, over larger businesses. The online Apprenticeship Service should introduce a matching service where levy-paying businesses can locate smaller, local businesses wishing to receive funding. Government should also prioritise ensuring young people have constant access to employers throughout their education.

Local Enterprise Partnerships (LEPs)

LEPs were set up by the government seven years ago to create a partnership framework between local councils and local businesses to lead economic growth and job creation. It clear that LEPs should have a significant role in promoting apprenticeships to SMEs. However, the work of LEPs in this area varies hugely from area to area.

LEPs should be the connecting force in promoting apprenticeship opportunities to SMEs and in bringing together larger employers with SMEs, helping to co-ordinate apprenticeship supply and demand regionally. Local messages should be developed around the positive impact apprenticeships have on young people and on businesses. LEPs should host local events between businesses, providers and SMEs to encourage conversations in a safe forum of brokering and support.

Local authorities

Local authorities should do more to champion local apprenticeship programmes, although councils have seen unprecedented cuts to their budgets which may not allow for rate relief for SMEs who hire apprentices to be a workable policy. Mindful of how

stretched council budgets are, they could focus on ensuring that council contracts and employers that councils work with have quality apprenticeship programmes and ensure apprentices are built into contracts. Metro Mayors and areas receiving further devolution deals should also ensure businesses they hold contracts with have quality apprenticeship programmes.

The APPG for London published its *Bridging the Skills Gap* report in July 2017, which says giving access to the Apprenticeship Levy underspends to the Mayor of London would give them the ability to create more apprenticeship opportunities, including by creating a Small Business Service to support apprenticeship recruitment on a subregional or local basis to capitalise on local links with SMEs. In January 2018, the CBI published its *In Perfect Harmony* report which recommended piloting local Apprenticeship Levy pooling in at least four English regions, rolling out a full system by 2020, to better engage SMEs.

We agree that a pilot on levy pooling on a regional basis would help SMEs to access additional resources to help them hire more apprentices. A one size-fit-all approach will not work everywhere, but local leadership as well as strong engagement with local employers, providers and other stakeholders will be essential for this approach to work.

Trusted organisations

Trusted organisations that SMEs engage with should have a bigger role in promoting apprenticeships and signposting information to SMEs. Most SMEs regularly work with HMRC, banks, accountants and intermediaries (such as trade bodies) many of whom will be levy payers and have quality apprenticeship programmes. They should consider how they can help their SME customers to recruit apprentices, for example by signposting grants and sources of objective information.

Members of Parliament

MPs can be an effective local voice promoting apprenticeships to SMEs. Last year, the APPG published a toolkit for MPs to organise an apprenticeship fair in their constituencies. We recommend that MPs should consider using our toolkit to ensure that fairs are organised at least annually and that SMEs are encouraged to be a central part of these events.

Larger employers

Many large employers were running quality apprenticeship programmes long before the Apprenticeship Levy was introduced in April 2017. Big businesses need a skills supply chain to provide a career pathway in their sector. It is crucial that larger

employers have a dialogue with SMEs on apprenticeships, sharing information and promoting the positive case for apprenticeships. Partnerships should be created to move away from a 'them and us' mindset.

The APPG has heard evidence that big businesses should engage with apprenticeships at a senior level. We recommend that large employers appoint a designated board-level champion for apprenticeships within their company, with a specific remit to consider how their business can support SMEs in their supply chain, sector or local area to hire more apprentices. Former apprentices at high-level positions in business would be ideal to undertake this role. We also recommend that larger businesses deliver 'clearing houses' to help other employers including SMEs to benefit from the heavily oversubscribed apprenticeship schemes they run.

There are many examples of best practice of big businesses supporting SMEs with their apprenticeship offer. Large employers such as Microsoft and Heathrow have innovative approaches to encouraging SMEs to hire apprentices that others can learn from which can be found later in this toolkit.

In summary, we recommend:

1. The government should encourage levy-paying businesses to use the 10% of their funds to be shared with SMEs in their supply chain or in their local community.
2. LEPs should act as forum to introduce SMEs to bigger employers and providers in a safe and supporting environment and be constantly promoting the positive messages on hiring apprenticeships to SMEs in their local area.
3. Organisations that work with SMEs on a daily basis, for example banks, accounts and HMRC should promote apprenticeships to their SME customers and consider how they can help SMEs to recruit apprentices.
4. MPs should consider using the APPG's *Apprenticeship Fair Toolkit for MPs* to organise apprenticeship fairs in their constituency at least annually and encourage SMEs to take an active part.
5. More training on the Apprenticeships Levy should be offered to HR professionals in businesses of all sizes and to procurement officers to enable an increased understanding of how they can use apprenticeships to maximum effect.
6. Big employers should appoint a board-level champion for apprenticeships within their organisation, with a specific remit to consider how their business can support SMEs in their supply chain, sector or local area to hire more apprentices.
7. Pilots should be set up to pool Apprenticeship Levy underspend, which would be accessed by councils or combined authorities with the purpose of supporting SMEs recruit more apprentices. This should include establishing a Small Business Service supported by the LEP and larger businesses based in the region.

Case study: Microsoft

Microsoft has a longstanding commitment to increasing the relevance and uptake of apprenticeships in the Digital Tech sector. We announced in 2017 that we wanted to create 30,000 more apprentice starts in our Partner and Customer business by the end of 2020.

By leveraging Microsoft's brand, assets and relationships we have developed an employer-led 'supply-chain' approach to designing and delivering apprenticeship programmes. These programmes particularly support smaller employers who do not pay the Apprenticeship Levy and who may not necessarily have the commercial weight to influence training providers but require a similarly rigorous curriculum and method of delivery to larger employers.

This approach has not only seen significant apprentice starts on our programmes but completion rates in employers across all our Learning Partners averaging 88% and retention rates post apprenticeship at around 90%. In addition, with salaries in digital technology being well above the national average in a high growth sector, a survey of apprentices on the Microsoft programmes estimated they were significantly better off than peers entering the sector though other routes.

How we achieved this

In 2009 we facilitated the development of apprenticeship programmes with input from employers in our Partner Network of 24,000 IT and digital businesses. These are independent companies across the UK that provide a range of Microsoft-related products or services, the majority of which are SMEs. This successful pilot has subsequently developed into a national programme which now sees 4,500 apprentices start annually in Digital Technology roles in around 3,000 Microsoft Partners and Customers with over 71% of these companies having 250 employees or less.

Learning Partners are a specific sub-set of Microsoft Partners that are authorized to provide training for official Microsoft products and services. We monitor the quality of delivery by ensuring Learning Partners offer the official Microsoft Curriculum through Microsoft Certified Trainers. This quality experience is further reinforced by additional qualifying criteria, such as offering apprenticeship Programmes that include official Microsoft content in line with in-demand Microsoft Channel roles and demonstrating consistency and innovation in delivery.

Without the role played by our Learning Partners, Microsoft would not have had the reach to engage with individual employers. The local scope of these providers, supported at a national level by Microsoft and utilising our brand as a way to attract both employers and apprentices, has enabled us to grow the programme collectively.

Case study: Heathrow

Heathrow has committed to putting SMEs at the heart of Britain's most transformative infrastructure project.

SMEs already play a crucial role in Heathrow's supply chain – with the airport spending over £1.5 billion annually with more than 1,200 SMEs and suppliers from across the country and in the local communities surrounding the airport.

As part of Heathrow's commitment to ensure that every corner of the country benefits from expansion, Heathrow has run Business Summits across the UK since 2015 giving hundreds of SMEs unique opportunities to connect with each other, engage with Heathrow's supply chain and benefit from growth opportunities locally, nationally and internationally. An estimated £93.4 million worth of new deals have been won by businesses as a result of the partnerships formed at various Heathrow Business Summits.

By participating in the summits, the Department for International Trade, Chambers of Commerce and local politicians, have helped make these events an important profile-raising opportunity for SMEs with business communities from Exeter to Scotland.

Useful contacts for SMEs

The APPG recommends these resources to SMEs to help better understand apprenticeships:

The National Apprenticeship Service (NAS)
The National Apprenticeship Service is part of government and specifically support employers to set up an apprenticeship programme. It has advisers who can be contacted on 08000 150 600.

The NAS' Business Support Team gives employers with fewer than 250 employees impartial support and advice on apprenticeships. Businesses can contact the team when they want to find an apprentice or when they have an employee they would like to put on an apprenticeship. The team then sends the business's details to training organisations running appropriate apprenticeship programmes so that they can get in touch with the business and discuss an apprenticeship.

Contact the Business Support Team by calling 08000 150 600 or via the online contact form or online advisor at **www.apprenticeships.org.uk**

Apprenticemakers
Apprenticemakers.org.uk is the national information hub and knowledge sharing network for businesses interested in apprenticeships. Joining Apprenticemakers is free and gives businesses the opportunity to gain the knowledge of those who have been through the process of hiring an apprentice and running an apprenticeship scheme.

LEPs
Find your LEP via **https://www.lepnetwork.net/find-your-nearest-lep/**

Ofsted
www.ofsted.gov.uk

Federation of Small Businesses
www.fsb.org.uk

CIPD
www.cipd.co.uk

ACAS
www.acas.org.uk

all party parliamentary group on

apprenticeships

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The APPG secretariat is provided by Connect.
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