

Enterprise and Business Committee APP29

Inquiry into Apprenticeships

Evidence from the FSB

Enterprise and Business Committee

Inquiry into
Apprenticeships in
Wales

30th April 2012





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The Federation of Small Businesses in Wales

FSB Wales is the authoritative voice of small businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and 12 branch committees, FSB Wales is in constant contact with small businesses at grassroots level. It undertakes a monthly online survey of its members as well as an annual membership survey on a wide range of issues facing small business.

FSB Wales is an integral part of the Federation of Small Businesses, the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches.

This submission takes a broad approach to the terms of reference and examines the issues at hand with examples from a broad section of the FSB Wales membership. The submission is based on ongoing engagement with FSB Wales members and in depth research carried out for the purpose of responding to this inquiry.

Executive Summary

Whilst many of the macro-economic levers that could stimulate the Welsh economy are the responsibility of the UK Government; FSB Wales believes that the skills agenda is one of the most potent tools available to the Welsh Government. The Wales Employment and Skills Board (WESB) note that:

“Skills are critical to employment and they enable communities and families to exploit new opportunities. Skills certainly have a critical role in supporting economic development, but the supply of, and planning for, skills has to be driven by real demand”¹

Providing a strong supply of skills and matching this supply with the demands of employers in Wales would increase productivity and enable Wales' small businesses to be competitive in the global economy. This is especially true in the case of apprenticeships that have traditionally provided a strong emphasis on workplace learning under the leadership of employers. A recent FSB Wales member survey showed that only 11% of small businesses surveyed in Wales had taken on an apprentice in 2010, highlighting the need for help and encouragement for small businesses to consider apprentices a viable option².

FSB Wales believes that the barriers for small businesses wishing to take on apprentices should be removed by creating meaningful incentives that would provide real benefit. Employer engagement should be at the heart of apprenticeship strategies, with the benefits to businesses considered at every stage. FSB Wales believes that this will lead to meaningful employment for both the apprentices and small businesses.

¹ WESB. 2010. *Moving Forward: Foundations for Growth* [Online]. Available at: <http://wales.gov.uk/docs/dcells/publications/100623volume1en.pdf> (accessed 23rd April 2012).

² Federation of Small Businesses. 2011. *Raising the Standards: an FSB skills survey* [Online]. Available at: <http://www.fsb.org.uk/policy/assets/skills%20report%20final.pdf> (accessed 24th April 2012).



FSB Wales also believes that the benefits of vocational study, such as apprenticeships, should be clearly highlighted to pupils in Wales from a young age. It is vitally important that the balance between vocational and academic study is addressed in order to achieve parity. This should also be reflected in the quality of apprenticeships.

Finally, the recent FSB Wales *Voice of Small Business* member survey highlighted how 12% of members in Wales believed that recruiting staff was a barrier to success³. FSB Wales would welcome any moves by the Welsh Government to provide support to small businesses in the recruitment process, noting a WESB report which states that; “[t]here is evidence that SMEs find recruitment expensive and initiatives which minimise employer costs are more likely to be successful”.⁴

Methods Statement

The research undertaken to inform this submission was based on in-depth qualitative interviews with 20 individual members of the Federation of Small Business in Wales. The interviews took place between late March and mid April 2012 and were followed up by further telephone interviews and submissions via email. A representative cross section of FSB Wales members were interviewed across Wales. Questions were designed to elicit information from FSB Wales members on issues around skills policy, with a specific section dealing with apprenticeships. FSB Wales hopes the Enterprise and Business Committee finds this submission informative.

FSB Wales were assisted in this research exercise by Positif Politics; however the opinions cited are solely those of the Federation of Small Businesses.

Apprenticeships in Wales

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

As highlighted in the executive summary, skills are critical to economic development in Wales⁵. FSB Wales acknowledges the Welsh Government’s Economic Renewal Programme (ERP) and its sectoral approach. However, the skills mismatch in Wales has an effect on all sectors of the Welsh economy and the skills agenda should address the Welsh economy in its entirety. The recent UK Commission on Employment and Skills (UKCES) skills audit for Wales highlights the damaging impact of skill mismatches on the Welsh economy and suggests that:

³ Federation of Small Businesses. 2012. ‘*Voice of Small Businesses’ member survey* [Online]. Available at: <http://www.fsb.org.uk/wales> (accessed 20th April 2012)

⁴ WESB. 2009. *Employment Programmes in Wales: Barriers to Success and Best Practice from an Employer Perspective* [Online]. Available at: <http://wales.gov.uk/docs/dcells/publications/090821employmentprogrammesen.pdf> (accessed 23rd April 2012).

⁵ WESB. 2010. *Moving Forward: Foundations for Growth* [Online]. Available at: <http://wales.gov.uk/docs/dcells/publications/100623volume1en.pdf> (accessed 23rd April 2012).



“An effective response, however, also requires that individuals pursue skills and qualifications that employers really do need which is dependent on the effective transmission of intelligence about opportunities in the labour market.”⁶

Respondents to the FSB Wales survey reinforced this point, noting that the Welsh Government should support the Welsh economy by ensuring that the skills provided accurately reflect local economies and the labour market. One respondent stated:

“I think that the Welsh Government should be looking to support Welsh businesses, to do this young people must be ready to enter the Welsh workplace – the Government should ensure young people are trained to work in the jobs that are available.”

Many FSB Wales respondents feel that the Welsh Government’s best method of supporting small businesses is to increase the skills and training of employees. This will increase productivity and profitability of small business, an assertion that is also supported by academic literature on skills and training⁷. FSB Wales welcomes moves towards greater availability of Labour Market Intelligence to the Welsh Government and would like to reiterate the importance of matching the supply of skills with demand. This is best achieved through employer engagement and FSB Wales notes the UKCES report that identifies deficiencies in Labour Market Intelligence in Wales that was *“limited by a lack of current employer survey data on skills deficits, with the most recent data source, the Future Skills Wales survey of 2005, being six years old”⁸*.

FSB Wales notes that the UK Government is currently piloting an Employer Ownership of Skills project that would allow employers to design and deliver their own training solutions⁹. Reflecting on this, FSB Wales urges the Welsh Government to examine methods of working that would allow small businesses to create solutions to small business skill problems.

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

FBS Wales believes that more attention is needed in linking up the needs of employers with skills provision in Wales. By aligning the needs of businesses in Wales with the provision of skills, small businesses will be able to recruit the talent they need to grow their businesses. The Sector Skills Councils have a large role to play in informing the Welsh Government’s Economic Renewal Programme to determine employer needs.

There is a general consensus amongst FSB members that there are too many different qualifications available that are not always useful to the labour market and that there is a failure of the education

⁶ UKCES. 2011. *Skills for Jobs. The National Strategic Skills Audit for Wales 2011 – Volume 1: Key Findings* [Online]. London; UKCES. Available at: <http://www.ukces.org.uk/assets/ukces/docs/publications/nssa-wales-2011-executive-summary.pdf> (accessed 23rd April 2012).

⁷ Delbridge, R. *Et al.* 2006. *The Organisation of Productivity: Re-thinking Skills and Work Organisation*. London; The Advanced Institute of Management Research.

⁸ UKCES. 2011. *Skills for Jobs. The National Strategic Skills Audit for Wales 2011 – Volume 1: Key Findings* [Online]. London; UKCES. Available at: <http://www.ukces.org.uk/assets/ukces/docs/publications/nssa-wales-2011-executive-summary.pdf> (accessed 23rd April 2012).

⁹ UKCES. *Employer Ownership of Skills – Pilot* [Online]. Available at: <http://www.ukces.org.uk/employersownership> (accessed 30th April 2012).



system to adequately address issues around literacy and numeracy; which is reflected in Wales' PISA rankings¹⁰. FSB Wales members also frequently report difficulties in obtaining younger staff that have the soft skills necessary in the work place. Issues referenced by members include punctuality, workplace awareness and a positive attitude towards work.

“Employability skills do not feature in compulsory education and they should – this is what employers are interested in, specific training for work can be given on the job. The careers/work experience system is broken – the work experience system needs to be more robust and make clearer what employers require”.

A number of members said that a qualification that demonstrated basic literacy and numeracy would be beneficial, though others felt that it would be better if they could be sure this was included in the current systems of qualifications. In essence, many of our respondents felt that rather than adding new qualifications, the Welsh Government should seek to reform or fix the existing methods of assessment.

However, one respondent noted that “[a] qualification that reflected employer expectations would be very welcome”. This reflected wider concerns that the present system of qualifications is not providing employees with adequate skills to reflect the needs of their business. Amongst a core group of respondents there was a general consensus that apprenticeships were a good way of training people in the unique skill sets that their businesses require. FSB Wales members were generally concerned that the education system is not providing the skills that businesses are most in need of.

With regards to the benefits of taking on an apprentice, one respondent said:

“Yes, apprentices are great for me, I can train people to my specific needs and get good workers at the end. I will always consider apprentices as I need them.”

This willingness amongst small businesses to employ apprentices is largely reflected in FSB Wales survey data which highlights that less than half of members would be willing to take on an apprentice with a wage subsidy, 22% with an upfront payment and 15% with an organisation that would help with the administration and HR aspects¹¹.

FSB Members are keen that local training providers and the wider education system are able to accurately reflect the needs of local businesses, this will be particularly important in order to ensure that apprenticeship and skill frameworks are best placed to help small and medium sized enterprises in Wales. Members' comments on this were as follows:

“[S]chools should work with local business to see where there are job opportunities and train people to fill the jobs.”

¹⁰ Bradshaw, J., Ager, R., Burge, B. and Wheeler, R. 2010. *PISA 2009: Achievement of 15-Year-Olds in Wales* [Online]. Slough: NFER. Available at: <http://www.nfer.ac.uk/nfer/publications/NPDZ02/NPDZ02.pdf>

¹¹ Federation of Small Businesses. 2011. *Raising the Standards: an FSB skills survey* [Online]. Available at: <http://www.fsb.org.uk/policy/assets/skills%20report%20final.pdf> (accessed 24th April 2012).



“Schools and colleges should work more closely with local businesses, there should be more use made of ‘work experience’ to show children the world of work. Businesses should work with schools and colleges in deciding what to teach (or which way to teach some subjects).”

“Schools should have local business people/leaders on their boards of governors, local authorities should work with local business people and the local authorities and schools should have more freedom in setting curriculums.”

FSB Wales believes that this could be achieved by ensuring that the structure of training consortia enables the needs of businesses in their local economies to be heard and this should be linked to the improvement of Labour Market Intelligence available to the Welsh Government. The role of small businesses in informing provision should be considered closely as part of the ongoing discussions around the School Standards and Organisation (Wales) Bill, particularly around increasing small business representation on school boards of governors.

3. With increased priority on apprenticeships for 16-24 year olds, are apprenticeships an attractive option for young people?

FSB Wales believes that the perception of apprenticeships needs to be altered. Apprenticeships need to be considered a valuable alternative to university and full time further education and highlighted as a path to a successful career. Many respondents to the survey advocated further promotion of apprenticeships from an earlier age amongst young people. There was also a desire to promote the high quality employment that can be obtained through apprenticeships – many indicating that trades such as plumbing are often relatively highly paid occupations. For this to happen it is vital to preserve the quality of apprenticeship frameworks. The Welsh Government could consider actively promoting vocational qualifications as a viable alternative to academic study.

FSB Wales feels that the duration and branding of apprenticeships should be reflective of quality. FSB Wales would caution against any extension of the apprenticeship branding without necessary consideration of the quality an apprenticeship should provide¹². There is also a need to ensure that Careers Wales and the work experience system are properly engaged to promote the benefits of workplace learning from a young age.

4. Do the systems for establishing Apprenticeship Standards and Frameworks and recruiting apprentices work effectively?

Although most of the survey respondents were aware of the route to take on an apprentice, few were aware of the systems for establishing Standards and Frameworks. FSB Wales members indicate that many employers find the process of working with Careers Wales and Jobcentre Plus overly complex and bureaucratic. This is a concern for FSB Wales members, particularly when taken in the context of comments raised in the WESB report titled *Employment Programmes in Wales: Barriers to Success and Best Practice from an Employer Perspective* stating that “[t]here is evidence that SMEs

¹² Keep, E. and James, S. 2011. ‘Employer Demand for Apprenticeships’. *Rethinking Apprenticeships* [Online]. London’ Institute for Public Policy Research. Available at: http://www.ippr.org/images/media/files/publication/2011/11/apprenticeships_Nov2011_8028.pdf (accessed 26th April 2012).



*find recruitment expensive and initiatives which minimise employer costs are more likely to be successful”.*¹³

Some respondents indicated that they felt that it was not systematically in the interest of Careers Wales and Jobcentre Plus to provide them with the person most suited to the job, but rather to generate good results for statistical purposes. This is a discouraging finding and clearly remedial work must be undertaken to ensure that providers and statutory agencies are working effectively together to ensure that people are placed in the environment most suited to them and that they are also catering for the needs of small businesses in Wales. FSB Wales believes that ensuring the requirements of small businesses are met in the recruitment process will lead to greater outcomes in terms of sustainable jobs for apprentices.

The responses below highlight FSB Wales members’ perception of this issue:

“My experience has been bad; they send me the first person available rather than helping me look for someone suitable.”

“Fairly good, they’re helpful and get the job done, though they can be a bit slow.”

“Some experience of working with Jobcentre Plus and Careers Wales, they’re often unhelpful and often seem like they’re just there to churn through paperwork”

“Extremely poor, our experience is as a provider or Work-based learning etc who understand the system. Hard to imagine the experience of being an employer and looking to engage.”

“Quite good, but there’s lots of paperwork which takes up lots of time and puts me off dealing with them.”

“We work with Careers Wales, we give work experience to school students, they are generally good to deal with.”

A number of respondents pointed to the need to ensure high quality delivery of teaching in vocational qualifications and apprenticeships. Many suggested that this could be achieved by ensuring that workplace learning was a key component of vocational qualifications, or ensuring that teachers and instructors had links to industry and areas in which employment may be gained.

¹³ WESB. 2009. *Employment Programmes in Wales: Barriers to Success and Best Practice from an Employer Perspective* [Online]. Available at: <http://wales.gov.uk/docs/dcells/publications/090821employmentprogrammesen.pdf> (accessed 23rd April 2012).



5. How effective is employer involvement in the apprenticeship system in Wales? Has this changed as a result of the current economic circumstances? Are employers able to find sufficient numbers of young people with the skills and aptitudes that they require? Do relationships between employers and training providers work effectively? Are apprenticeships still limited to certain sectors?

As highlighted previously, there was a great deal of concern amongst survey respondents that the present system of qualifications does not sufficiently demonstrate to employers that young people are able to carry out basic tasks or have appropriate skill sets. In particular, respondents were concerned that levels of literacy and numeracy amongst school leavers were inadequate. FSB Wales notes that this was often raised as a specific concern by those who take on apprentices, that they often find that remedial literacy and numeracy classes are needed.

The survey also highlighted that many employers said they had limited, or no experience of working with training providers in their area and that they also had limited and often poor working relationships with Jobcentre Plus and Careers Wales, as mentioned above. FSB Wales would like to see a strengthening of the role of employers in this respect and would urge the Welsh Government to use sensible language between training providers and employers to ensure that objectives are understood.

6. Do social enterprises make effective use of apprentices?

Not Applicable.

7. Has the number of apprentices employed by local authorities, and the public sector generally, increased or decreased? Should the public sector be recruiting more apprentices?

Not Applicable.

8. 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?

FSB Wales welcomes community benefit clauses in public sector contracts, particularly those that seek to protect the supply chain by ensuring sub-contractors are paid for their services within reasonable time periods. However, the use of community benefit clauses should not act as a deterrent to small businesses that would otherwise be able to succeed in winning public sector contracts. FSB Wales would encourage procurement officers to make the process of tendering for public sector contracts as accessible as possible for small businesses. Where community benefit clauses are in place for larger firms, small businesses should be able to benefit from apprentices via schemes such as shared apprenticeships. This would provide a viable alternative to small businesses that would otherwise be unable to hire apprentices.



9. Do Careers Wales and Jobcentre Plus provide effective support for people wanting to find apprenticeships?

As noted above, many respondents reported significant issues with working with Job Centre Plus and Careers Wales. Many felt that their relationship with these statutory bodies was restricted by paperwork and that often they [the statutory bodies] were seeking to ‘tick boxes’ rather than provide a high quality service. FSB Wales believes that the Welsh Government should, where possible, seek to ensure better working relationships between Careers Wales, Jobcentre Plus and employers. One respondent commented:

“There needs to be more clarity on expectations and access; equal weighting to academic programmes – more educator awareness and engagement with apprenticeships early in schooling. More pupil awareness of the offering available.”

10. How effective is Welsh Government policy on apprenticeships? How does its policy of apprenticeships fit into its wider economic and skills strategies?

In looking at apprenticeships in the wider context of the economic and skills strategy, FSB Wales believes that the starting point of any measures relating to skills should ensure that levels of literacy and numeracy are of the highest possible standard. The recent PISA results highlighted many of the issues facing Wales’ education system and a strong and early emphasis on literacy and numeracy will facilitate the development of other skills later on¹⁴.

FSB Wales members are of the view that the Welsh Government should be gearing its programmes to equip young people to enter the workplace but also to ensure that provision of skills is linked with demand. FSB Wales notes that policy on apprenticeships in England has focused largely on increasing the number of apprentices trained, often resulting in a decline in the quality of apprenticeships offered and a broadening in the definition of the term. FSB Wales notes that the current Welsh Government Programme for Government highlights “*number of apprenticeship opportunities available through the Young Recruits programme*” as a core objective¹⁵. It is vitally important that the opportunities for businesses involved in apprenticeships are also reflected in measuring the success of this policy objective. This would mean ensuring that increasing apprenticeship numbers does not exacerbate the existing skills mismatch.

There was also a great deal of interest and encouraging levels of knowledge of, Welsh Government support for businesses that take on apprentices or who are engaged in training. Schemes such as Jobs Growth Wales, Pathways to Apprenticeship and the Young Recruits programme were seen as a positive way to reinforce the economy and provide people with work opportunities. There was however some caution with regards to the Shared Apprenticeship scheme, particularly around administration costs. Generally, there was a sense amongst many of the respondents that this scheme would not work well as employers may compete to take on the apprentice once the scheme

¹⁴ Bradshaw, J., Ager, R., Burge, B. and Wheeler, R. 2010. *PISA 2009: Achievement of 15-Year-Olds in Wales* [Online]. Slough: NFER. Available at: <http://www.nfer.ac.uk/nfer/publications/NPDZ02/NPDZ02.pdf>

¹⁵ Welsh Government. 2011. *Programme for Government: 2011-16* [Online]. Available at: <http://wales.gov.uk/docs/strategies/110929fullen.pdf>



was over, building on a distinct sense from many respondents that they take on apprentices in order to train people specifically to work in their company.

11. Education and training, including apprenticeships are devolved matters, but employment law is not. Do young people have sufficient rights and access to apprenticeship training? If not, how could the situation be improved?

The committee may want to consider the FSB UK wide skills paper titled *Raising the Standard: An FSB Skills Survey* that deals with issues around employment and health and safety laws and their effects on small businesses. In particular, the FSB response to Lord Young's recommendations on the burden of health and safety requirements will be of interest.

12. Is European funding being used to support apprenticeships effectively?

There was no real demonstrable knowledge of how EU funding is used amongst survey respondents. However there was support for it being used for the skills agenda. However, one respondent pointed to the need to coordinate funding programmes to avoid competing priorities.

They've [The Welsh Government] already maxed out that avenue of funding. But it needs to be better coordinated - there are some projects in conflict with each other or competing with each other and this doesn't help matters. (FSB member, training provider)

The Welsh European Funding Office (WEFO) has previously stated that adverse labour market conditions in Wales account for approximately 35 per cent of the GVA gap per head between Wales and the UK¹⁶. FSB Wales believes that remedying these adverse labour market conditions should be the express aim of the European Social Fund during the 2014-20 period. It is essential that apprenticeships form a key aspect of this funding. Significant progress could be made by ensuring that businesses are actively involved in setting the priorities for European funding, including by incentivising small businesses and helping them with the demands of taking on an apprentice.

Conclusion

FSB Wales believes that the skills agenda can make a real difference to the competitiveness of small businesses in Wales. It is vitally important that the skills agenda is aligned to the needs of businesses in order to ensure that the provision of apprenticeships reflects a real demand amongst employers. FSB Wales also believes that the Welsh Government should strive to reduce the barriers, both financial and non-financial, to recruitment amongst small businesses. This could include incentivising small businesses to recruit as well as supporting them through the recruitment process. Finally, FSB Wales believes that the imbalance of esteem between vocational and academic study needs to be addressed in order to create apprenticeships as a positive alternative to academic study.

¹⁶ WEFO. 2009. *Operational Programme for the European Social Fund 2007-13* [Online]. Available at: <http://wales.gov.uk/docs/wefo/publications/convergence/esfoperational/090911esfconvergenceen.pdf> (accessed 5th April 2012).

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The Federation of Small Businesses

The FSB is non-profit making and non-party political. The Federation of Small Businesses is the UK's **largest campaigning pressure group** promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has **200,000 members across 33 regions and 194 branches**.

Lobbying

Our lobbying arm - led by the Westminster Press and Parliamentary office - applies pressure on MPs, Government and Whitehall and puts the FSB viewpoint over to the media. The FSB also has Press and Parliamentary Offices in Glasgow, Cardiff and Belfast to lobby the devolved assemblies. Development Managers work alongside members in our regions to further FSB influence at a regional level.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business Organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

Associate Companies

We have two associated companies, FSB (Member Services) Limited (company number 02875304 and Data Protection Act registration number Z7356601) and NFSE Sales Limited (company number 01222258 and Data Protection Act registration number Z7315310).