

Skills shortage nation

The importance of employer
commitment to apprenticeships





Methodology

Ahead of the nationwide introduction of the Government-driven apprenticeship levy in April 2017, City & Guilds commissioned a piece of research to gauge the mood amongst levy-paying businesses across key industry sectors.

The research was conducted by Censuswide in Great Britain between 18 November and 5 December 2016.

We have focussed this research on organisations in 13 of the 15 key industry sectors that have been deemed of crucial importance to the UK economy in the Government's Post 16 Skills Plan.

The total sample was 500 UK senior decision makers who are responsible for training/apprenticeship budgets in their organisations and whose company has an annual pay bill of £3million or more, in the following industry sectors:

- Construction
- Human Health and Social Work Activities
- Information and Communication
- Manufacturing, Public Administration and Defence
- Wholesale and Retail Trade; Repair
- Accommodation and Food Service Activities
- Administrative and Support Service
- Education
- Financial and Insurance Activities
- Other Service Activities
- Professional
- Scientific and Technical
- Transportation and Storage



NB. Censuswide abides by and employs members of the Market Research Society which is based on the ESOMAR principles.

Introduction



Kirstie Donnelly MBE
Managing Director
City & Guilds

To say the only constant is change is a cliché, but now more than ever, it's true. In 2016 we saw a new Prime Minister and ministerial team, the UK vote in favour of leaving the EU, and Donald Trump win the US presidential election. Whilst the impact of these events is still uncertain in some cases, what is sure is that they will bring in sweeping changes over the coming years and decades.

The political changes we are seeing across the world are matched by the pace of change in technology and globalisation, all of which are transforming the landscape for skills and employment and contribute to global skills gaps and high levels of unemployment. In the UK in particular, the Brexit vote will almost certainly have an impact on UK plc's ability to recruit the skilled workforces it needs.

Meeting the skills requirements of UK businesses is the intention behind the move towards employer ownership of skills. We've seen this progress over the past few years with the ongoing overhaul of the apprenticeship system. April 2017 is when it all comes to fruition as employers will start having to put their hands in their pockets to fund the new system in the form of the apprenticeship levy.

With all this change in the skills system and particularly within apprenticeships, we thought it was timely to take a temperature check among employers. We wanted to know how aware they were of the detail behind the new apprenticeship system and whether they feel equipped to spend their apprenticeship levy in the right way.

The findings were certainly eye-opening. We discovered that many

businesses are already struggling to fill roles with over three quarters of respondents telling us it was a problem for them - particularly at senior levels, and this is even before Brexit begins to bite. Many also told us that they are finding it difficult to recruit apprentices even before the increased competition for candidates that the levy is likely to bring. It was also evident that there is a worrying lack of knowledge of the changes to the apprenticeship system with a significant minority of respondents (38%) not even aware that they would be paying the levy - which will undoubtedly be an unwelcome surprise for many when they get their tax bill.

Leadership and management came through as another area of challenge and opportunity for employers. We found that even though over a third (38%) of respondents already struggle to recruit these roles, yet it was training for this very area that was most likely to be cut to pay for the levy. Less than a fifth of employers told us that they would consider an apprenticeship to fill managerial roles, meaning that there is a huge untapped opportunity to be realised if employers open their minds to the full potential of apprenticeships.

We have made a number of recommendations at the end of this report to help employers, providers and Government to navigate this somewhat turbulent time and ensure we create an apprenticeship system that rivals any other in the world and serves generations to come.

Apprenticeships truly have the ability to change lives, organisations and economies, and I hope this research will help inform employers of the many opportunities out there in this new world.

About City & Guilds

A world leader in skills education, City & Guilds works with governments, employers, colleges and training providers to deliver workplace relevant qualifications recognitions, certification and assessment. Our qualifications are valued by employers across the world, helping individuals and businesses develop their skills for personal and economic growth. We operate across five continents – from Johannesburg to Jamaica, Dublin to Dubai - reaching millions of people every year. City & Guilds is part of the City & Guilds Group – a group of five businesses all focused on giving individuals, businesses and economies the skills they need to progress. Everything the City & Guilds Group does is about helping people get into a job, develop on the job and progress onto the next job.

City & Guilds is at the forefront of the apprenticeship reforms. It has worked with the majority of trailblazer groups and has been one of the first organisations to deliver end assessment for the new apprenticeship standards. Together ILM, the City & Guilds Group business unit that focuses on leadership and management skills, and with its Industry Skills Board, City & Guilds has designed a quality model for apprenticeships and engaged with Government, employers and providers to support the apprenticeship system through its Making Apprenticeships Work activity.

Key findings

UK employers are struggling to recruit

The majority of respondents to our survey (87%) told us that they have problems recruiting people to meet the needs of their business, with managers and specialists across all disciplines being the hardest job roles to fill and apprenticeships the most challenging job level to fill.

When it comes to recruitment, universities are the most popular place to search for suitable candidates; ahead of recruitment agencies, jobs centres and schools.

Who will be the most sought after employees in 2017?

Our respondents stated that apprenticeships will be the most recruited job during this period with 59% of respondents telling us that they intend to recruit apprentices over the coming year. This compares to 44% who say they will recruit graduates.

Managers, directors and senior officials across all disciplines are also in high demand, with 47% telling us they will be recruiting these roles in the next 12 months.

Brexit

The companies we questioned told us that on average 30% of their staff currently come from the European Union with almost one fifth (18%) of respondents telling us that over half of their workforce is from mainland Europe.

Somewhat surprisingly then, a significant proportion of senior financial decision makers questioned (42%) told us that they think Brexit will have a positive impact on their business' ability to attract and recruit the right people compared to 29% who thought it would have a negative impact.

Low knowledge of the apprenticeship reforms and levy

33% of our respondents were not aware a new employer-funded apprenticeship system will be launching in April 2017 paid for via the apprenticeship levy.

Almost a third of our respondents overall (28%) were not sure if they will be paying the levy in April 2017 with an additional 10% telling us they definitely don't think they will be – this is despite the fact that we only questioned organisations that will be eligible to pay the levy.

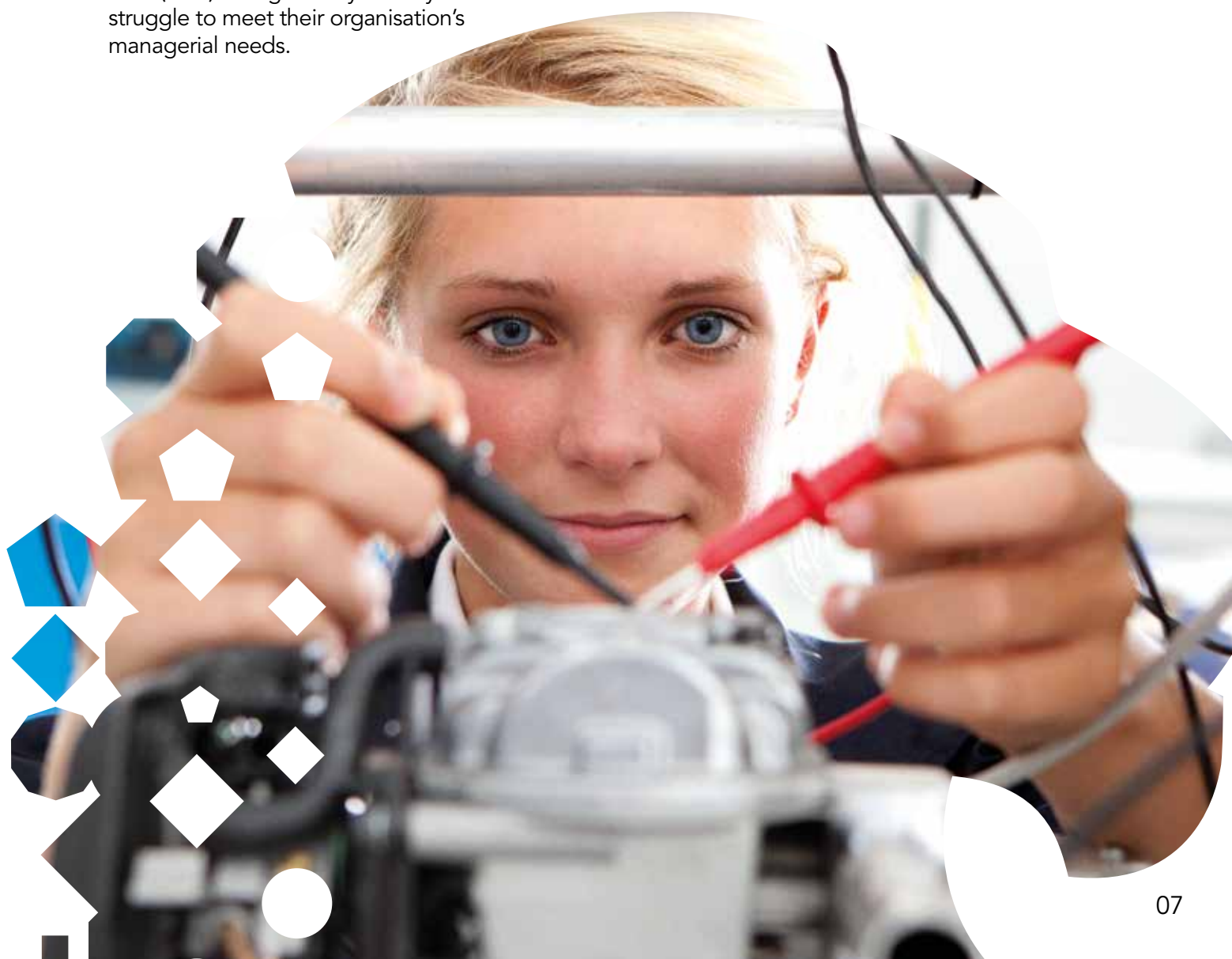
The majority of our respondents told us that they have built apprenticeships into their recruitment plan for the coming years (81% of respondents) and of those who have, there is variety in the way employers intend to manage their programmes with respondents saying they are looking to work with colleges and providers whilst also manage their training in-house.



Impact of levy on skills and training budgets

As a result of the apprenticeship levy, almost a third of senior decision makers told us that they will increase the number of apprentices they employ. In contrast, a significant minority of respondents told us that they will be reducing (16%) or entirely cutting (13%) their training budget to pay for the levy.

Leadership and management training is most likely to be cut/reduced for those reducing their current training budget to pay for the levy. This is despite over a third (38%) telling us they already struggle to meet their organisation's managerial needs.

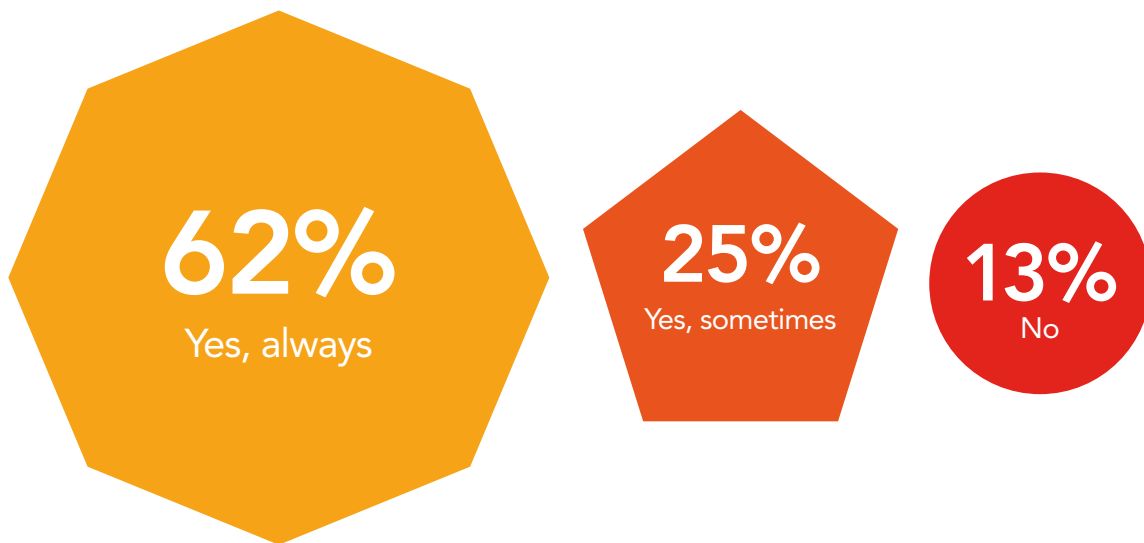


Most UK employers are struggling to recruit

The vast majority of respondents told us that they are currently facing problems recruiting people to fulfil the needs of their business, with managers and specialists being the hardest job roles to fill.

Over four fifths of our respondents (87%) told us that they currently have problems recruiting people to fulfil the needs of their business, with a quarter (25%) of these telling us they always have problems with recruitment.

Do you currently have problems recruiting people to fulfil the needs of your business?

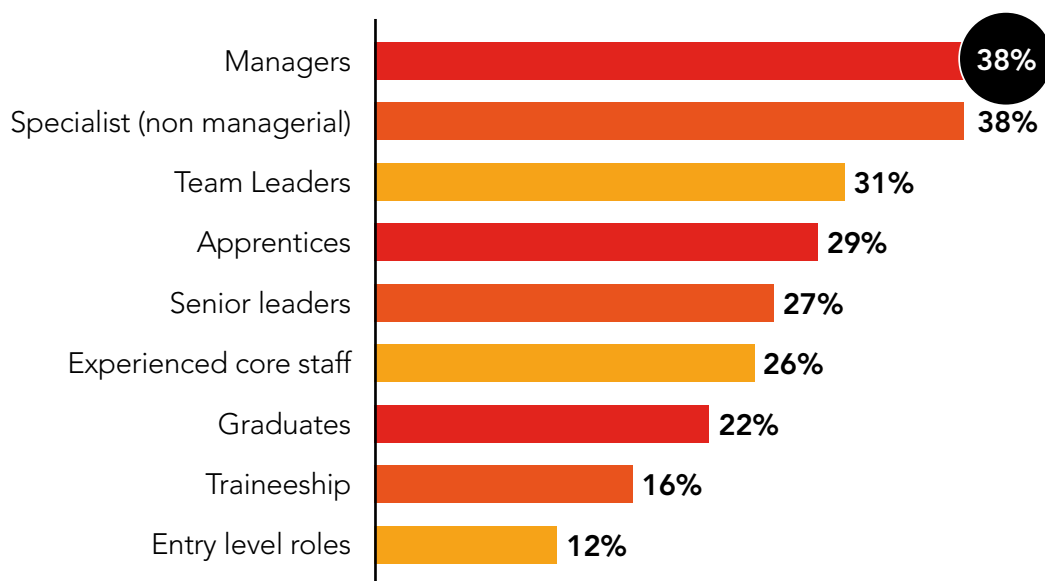


The job roles our respondents told us they find most difficult to fill were; managers (38%), specialists (non-managerial) (38%), team leaders (31%) and apprentices (29%) across all disciplines suggesting a clear gap in leadership and management in the UK.

Despite this shortfall in leaders and managers, the budget area that the majority of our respondents were likely to cut following the introduction of the apprenticeship levy was training for leaders and managers.

The specialisms that were reported hardest to fill were professional occupations (41%) followed by associate, professional and technical disciplines (35%).

What level of job do you have the most difficulty filling?



Apprentice jobs were deemed harder to fill than graduate training roles, with 29% telling us they struggle to fill apprentice roles compared to 22% struggling to fill graduate training roles.

The specialisms which were reportedly hardest to fill are professional occupations (41%), followed by associate professional and technical disciplines (35%).

What specialisms do you have difficulty filling?

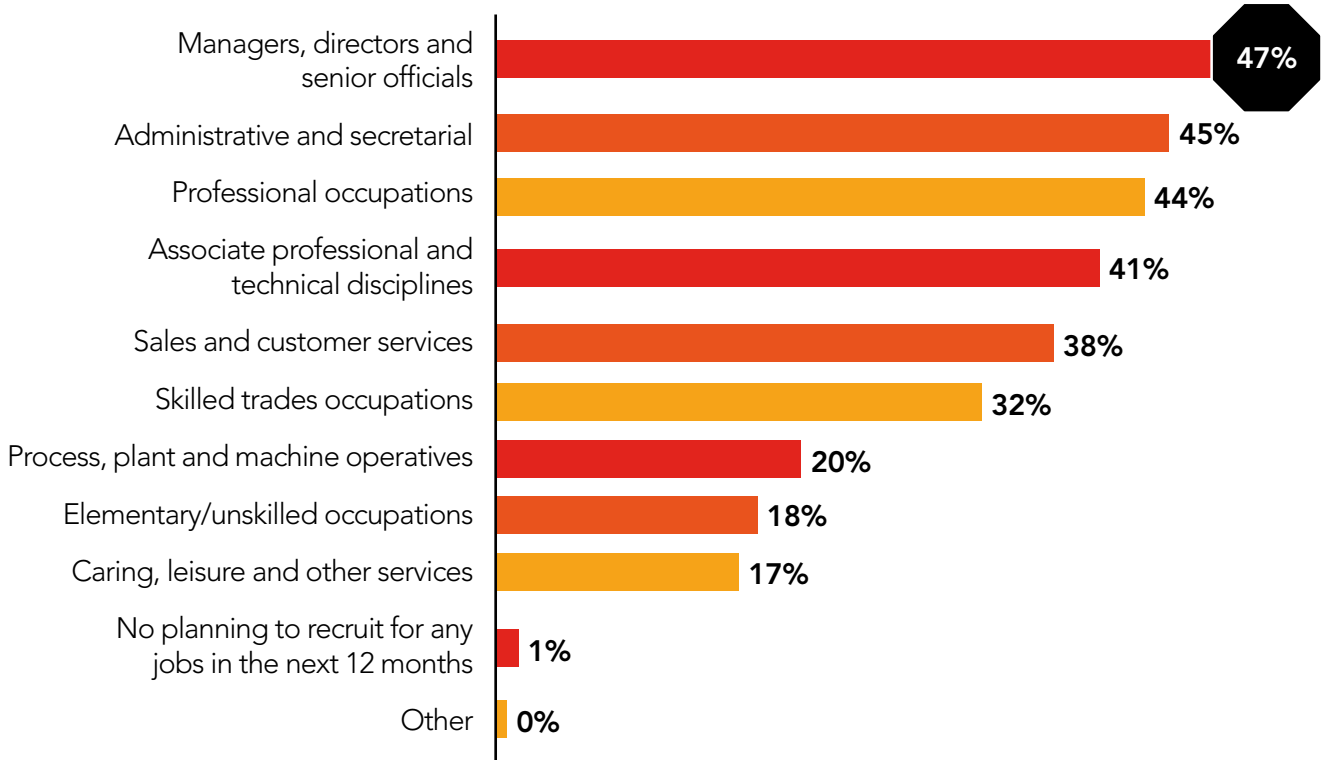


Which job roles will be in greatest demand in 2017?

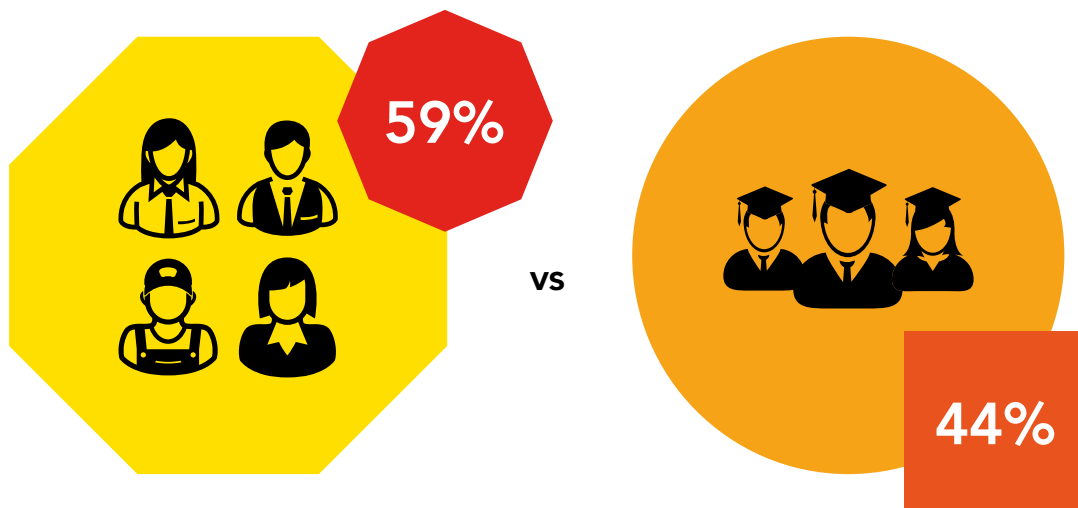
Managers, directors and senior officials are likely to be the most recruited job role over the next 12 months.

In the next 12 months 47% of respondents told us that they are planning to recruit for managers, directors and senior officials. This was closely followed by 45% who are planning to recruit for administrative and secretarial positions and 44% who will recruit professional occupations.

In the next 12 months what types of job are you planning to recruit for?



Most likely to recruit apprentices vs graduates



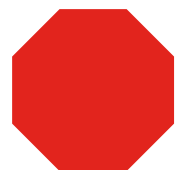
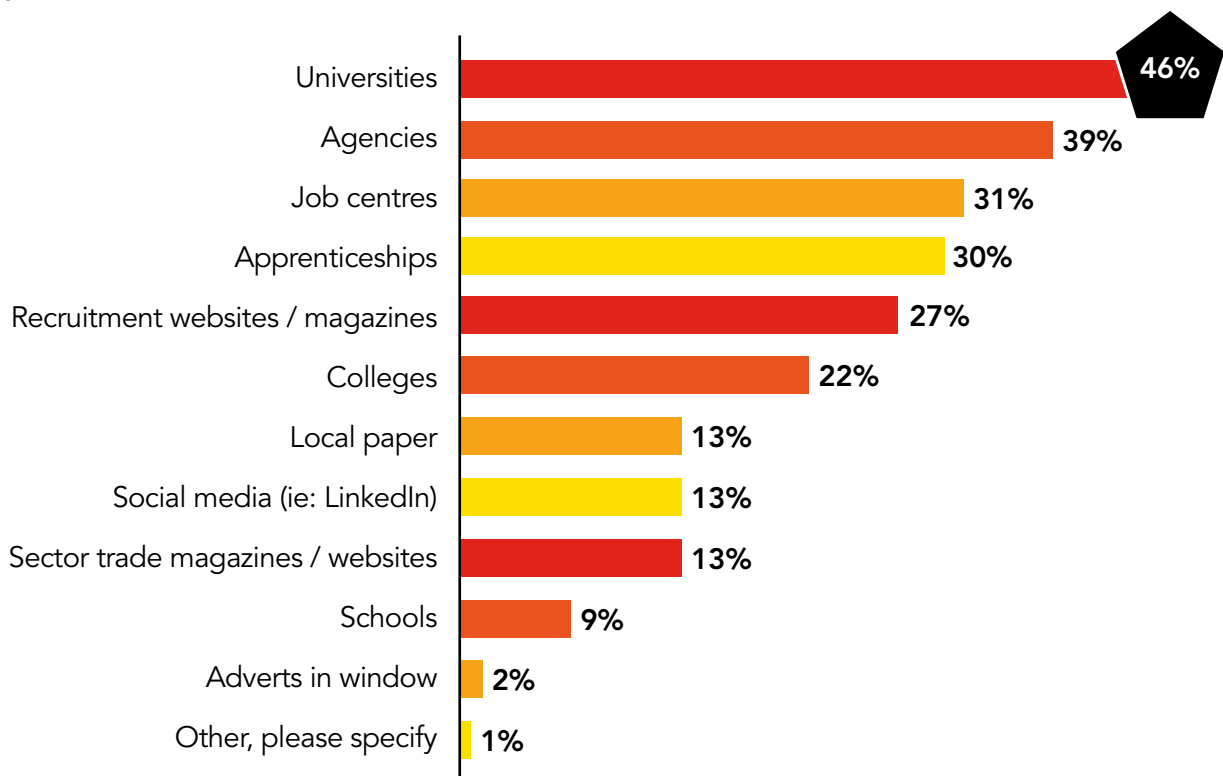
Apprentices are more likely to be recruited over the next 12 months than graduates. 59% of respondents who are planning to recruit over the next 12 months told us they will need to recruit apprentices compared to only 44% who think they will need to recruit graduates.

Where do employers recruit from?

Respondents told us that they are most likely to use universities to recruit from ahead of recruitment agencies, job centres and recruitment websites.

Almost half of respondents (46%) told us that they usually recruit from universities, compared with 39% who usually use agencies, 31% who use job centres and 27% who use recruitment websites. Schools and colleges were considerably less popular and social media is also not well used for recruitment. Just 3 in 10 (30%) of our respondents told us that they usually recruit using apprenticeships.

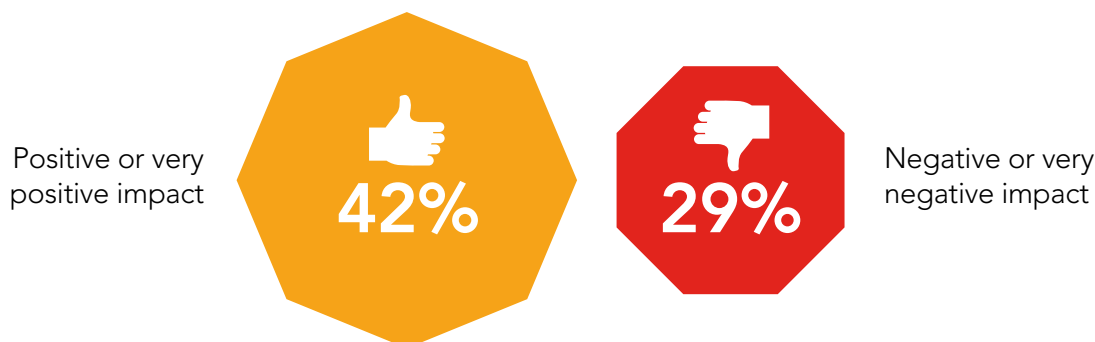
Top three most used routes for recruitment



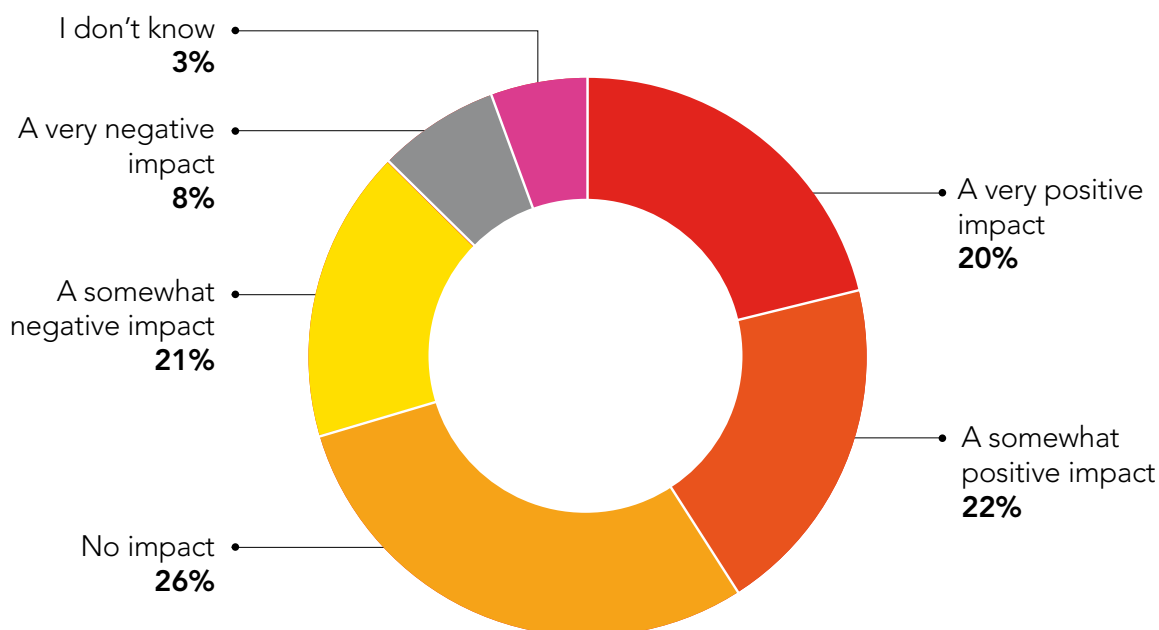
The impact of Brexit on skills and jobs

Respondents told us that they are more likely to think that Brexit will have a positive impact on their business' ability to attract and hire the right people (42%) compared with 29% who think it will have a negative impact.

Will Brexit have a positive or negative impact on your ability to recruit?



What type of impact do you think Brexit will have on your business' ability to attract and hire the right people?



On average 30% of staff in companies with a pay bill of £3 million or more come from the European Union.

Only 3% of companies that responded to the survey have no staff from the European Union. However, almost a fifth (18%) of companies told us that 51% or more of their staff come from the EU.

Awareness and understanding of the new Apprenticeship system

Over a third of our respondents told us that they were not aware a new employer-funded apprenticeship system will be launching in April 2017 – this is despite the fact that all our respondents have pay bills in excess of £3m so will be required to pay the levy.

Just over a third of the decision makers we surveyed were not aware of the new system launching in April 2017.

Almost a quarter (23%) of Heads of Apprenticeships and 25% of Directors/Business Owners were not aware a new employer-funded apprenticeship system would be coming into force from April 2017.

Awareness of the apprenticeship levy by job role

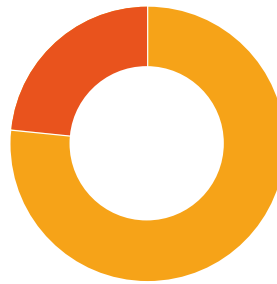
Not aware ■ Aware ■



Total
Aware 66.80%
Not aware 33.20%



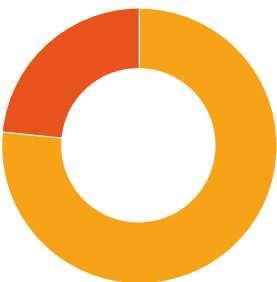
Middle manager / professional
Aware 57.60%
Not aware 42.40%



Senior manager / professional
Aware 66.90%
Not aware 33.10%



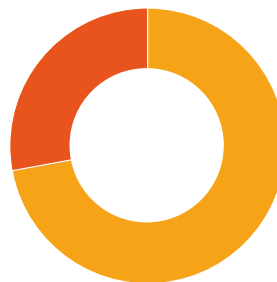
HR director / manager
Aware 76.30%
Not aware 23.70%



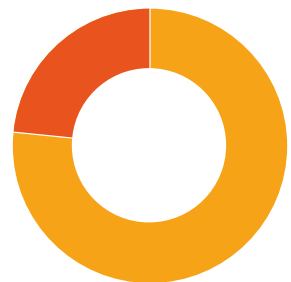
Head of Apprenticeships
Aware 76.80%
Not aware 23.20%



Head of training
Aware 54.50%
Not aware 45.50%



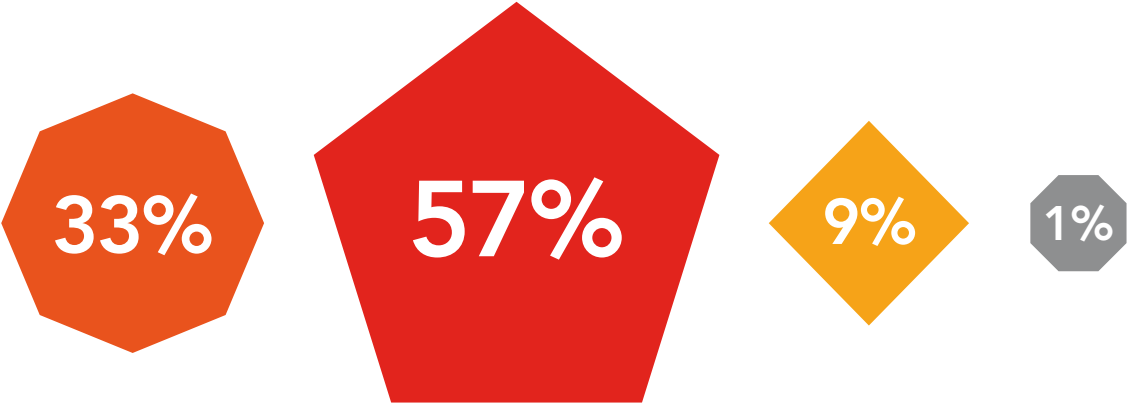
Director
Aware 73.20%
Not aware 26.80%



Business owner
Aware 76.30%
Not aware 23.70%

Only a third (33%) of those that were aware of the new employer-funded apprenticeship system told us that they feel fully informed about it. 1 in 10 (10%) of those that were aware of the new employer-funded apprenticeship system said that they either don't feel that informed or feel like they are not informed at all.

How well informed do you feel about the apprenticeship levy?



Fully informed

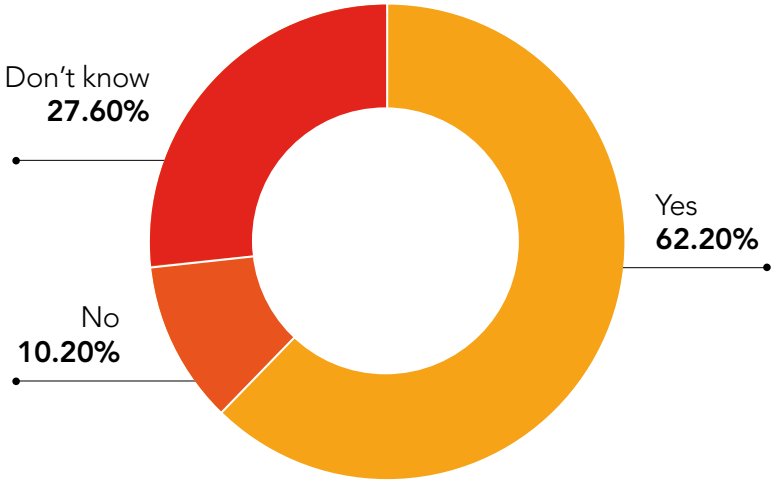
Somewhat informed

Not that informed

Not informed at all

Of those respondents who were aware of the levy 38% either aren't sure whether they will be paying the apprenticeship levy from April 2017 or definitely think they won't be.

Will your business be paying the new apprenticeship levy from April 2017

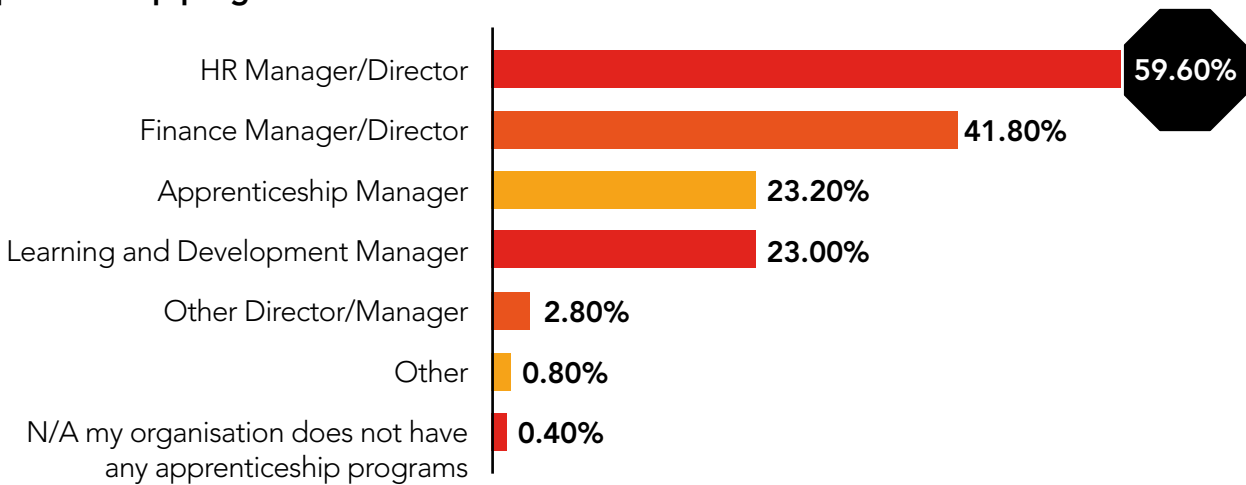


Responsibility for apprenticeships

Who makes the decisions?

The majority of our respondents told us that their HR Manager or Director was most likely to have responsibility for apprenticeships (60%) with Apprenticeship Managers (23%) and Learning and Development Managers (23%), having responsibility in the majority of other cases. Outside of the HR department 41% of respondents told us that their Finance Director had some significant decision making responsibility for apprenticeships.

In your organisation, who makes decisions about the size and scope of your apprenticeship programme?

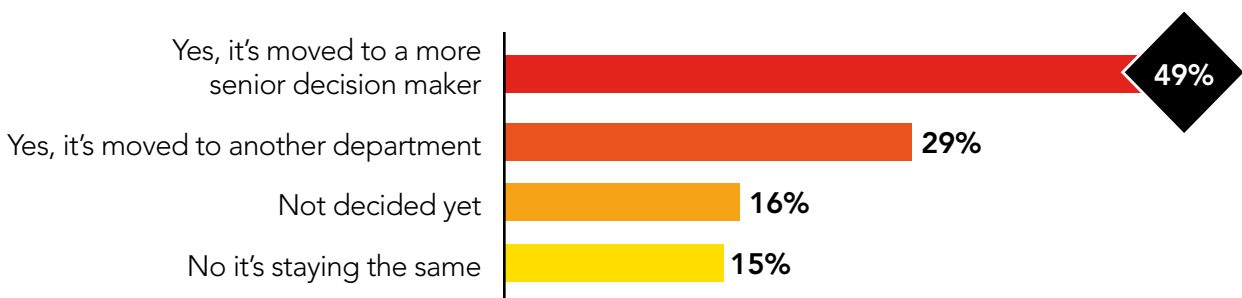


Changing responsibility for apprenticeships

As investment in apprenticeships increases many organisations told us that they have given more senior members of staff responsibility for apprenticeships. In almost a third of cases responsibility has been moved to an entirely different department.

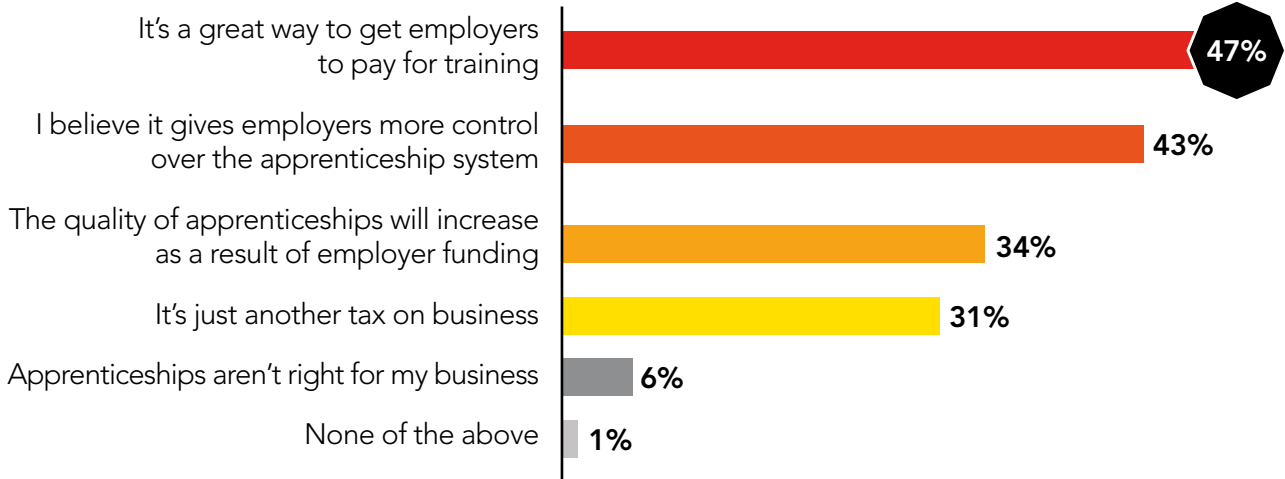
Of those who are aware that they will be paying the apprenticeship levy from April 2017, 69% say that the responsibility for apprenticeships has changed in their business because of the apprenticeship levy, with almost half (49%) saying it's moved to a more senior decision maker and 29% saying it's moved to another department i.e. HR to Finance.

Has the responsibility for apprenticeships changed in your business because of the apprenticeship levy?



Attitudes towards the apprenticeship levy amongst employers who are aware of it were broadly positive with respondents agreeing that it is a good way to get employers to pay for training and will increase quality, and few stating that apprenticeships wouldn't work for their business.

Which of the following statements do you agree with regarding the new apprenticeship levy?



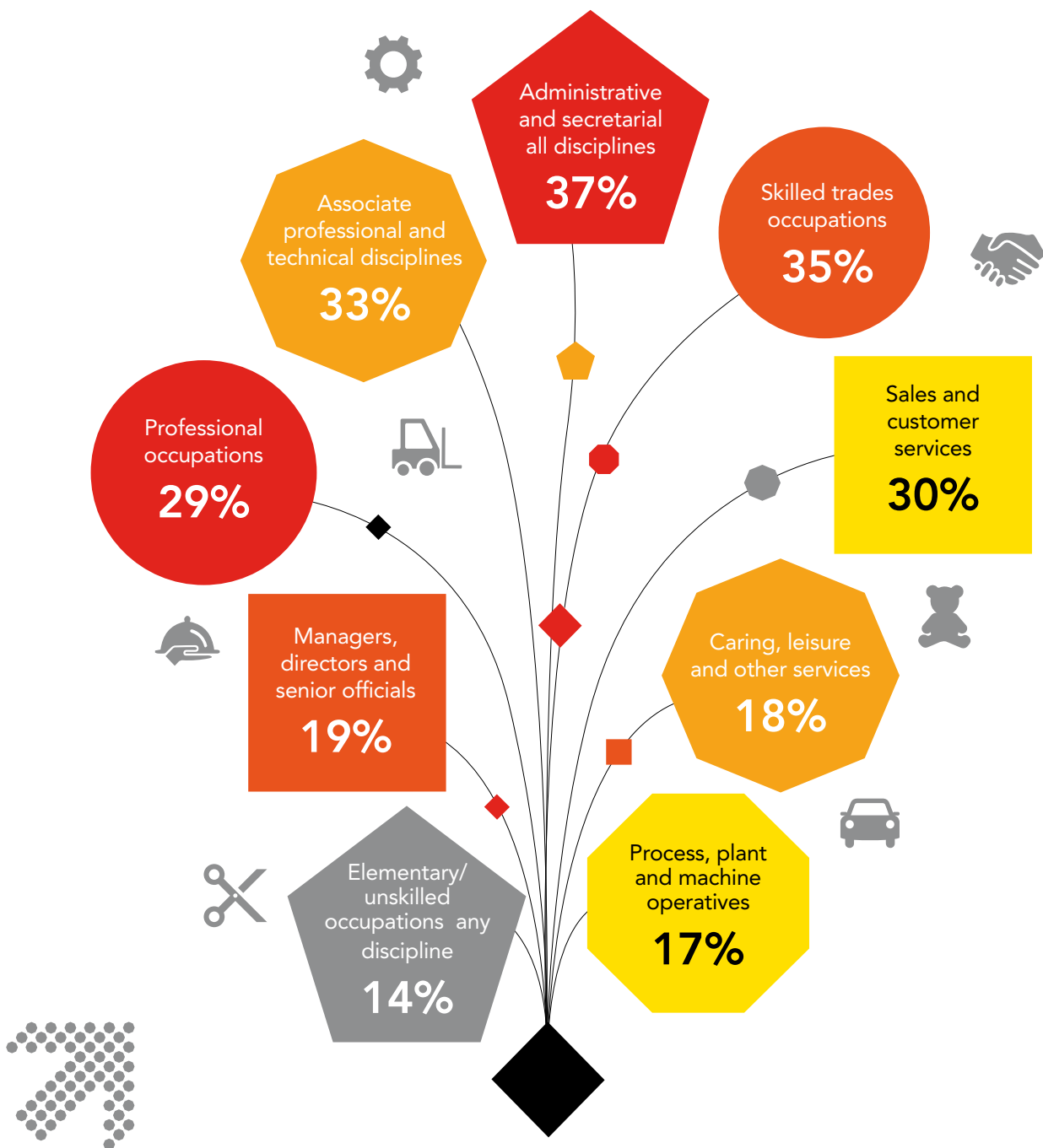
Which jobs could be performed by apprentices?

We asked our respondents which jobs they believe could be filled by apprentices. Almost 2 in 5 (37%) think that administrative and secretarial jobs could be filled by apprentices in their business.

Over a third (35%) think that skilled trades occupations could be filled by apprentices in their business.

Less than a fifth (19%) think that managers, directors and senior official job roles could be filled by apprentices in their business.

Only 15% think that elementary/unskilled occupations could be filled by apprentices in their business.



The impact of the levy on apprenticeships and other training programmes

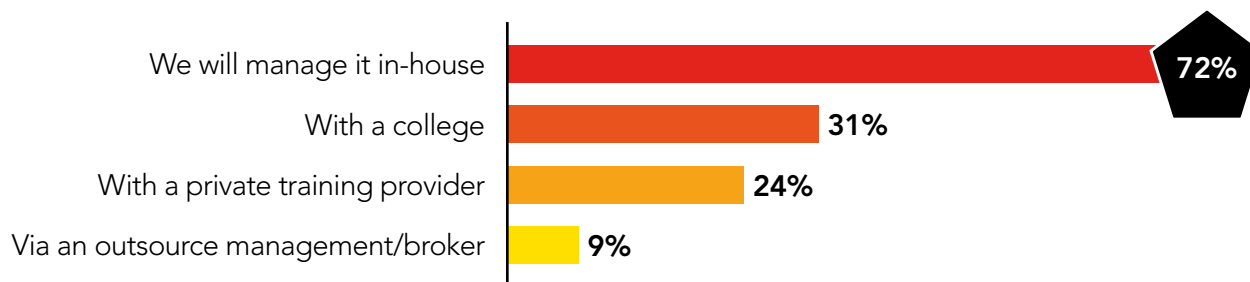
A majority of our respondents said that they plan to manage all or part of their apprenticeship programmes in house (72%).

Almost a third of respondents (31%) told us that they will increase the number of apprentices they employ as a result of the apprenticeship levy and 49% will maintain the same number.

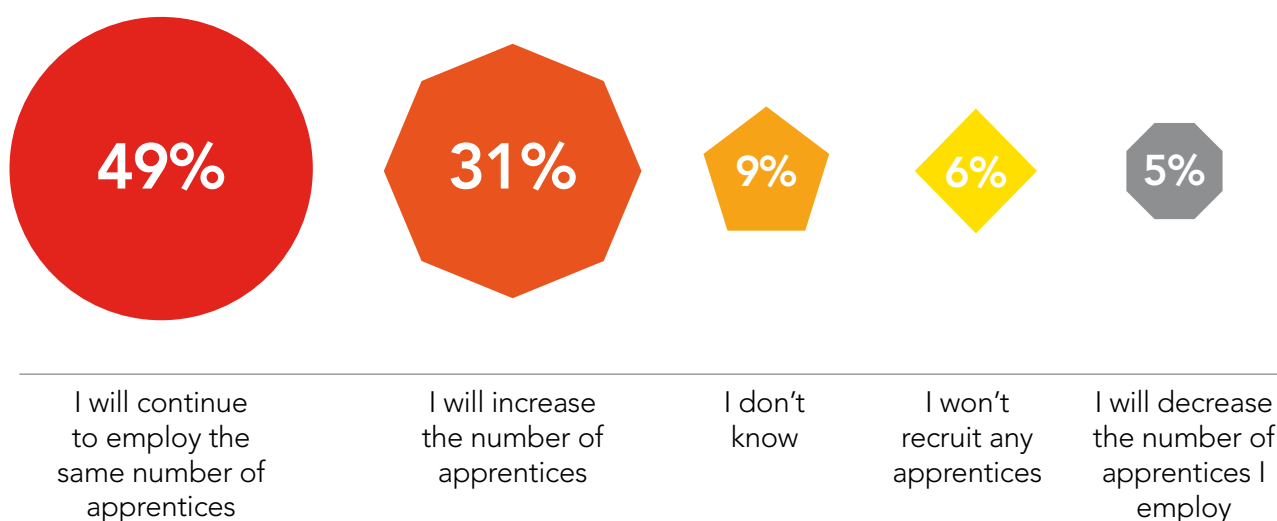
As a result of the apprenticeship levy, 31% of respondents will increase the number of apprentices they employ and almost half (49%) will continue to employ the same number.

However, 1 in 20 (5%) said that they will actually decrease the number they employ and a further 6% said they won't recruit any apprentices.

Who will manage the training and funding of apprenticeships for your business?



What will be the impact of the apprenticeship levy be on the number of apprentices you employ?

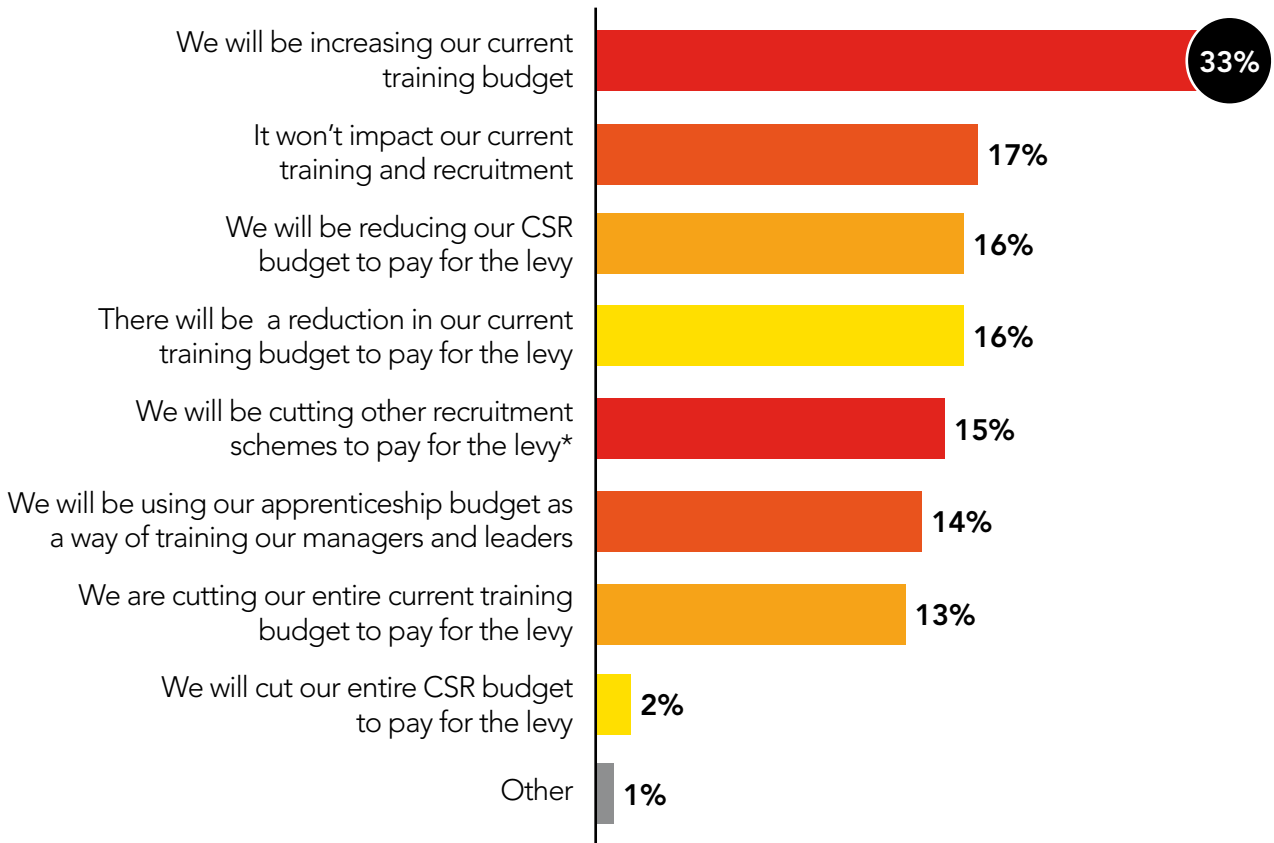


The impact of the levy on other recruitment, training and retention activity

More than 1 in 8 respondents told us that they will be cutting their entire current training budget to pay for the levy.

As a result of the apprenticeship levy, a third (33%) of respondents told us that they will be increasing their current training budget but in contrast, 16% say there will be a reduction in their current training budget to pay for the levy and 13% are cutting their entire current training budget to pay for the levy. 17% don't think the apprenticeship levy would impact their current training and recruitment budget.

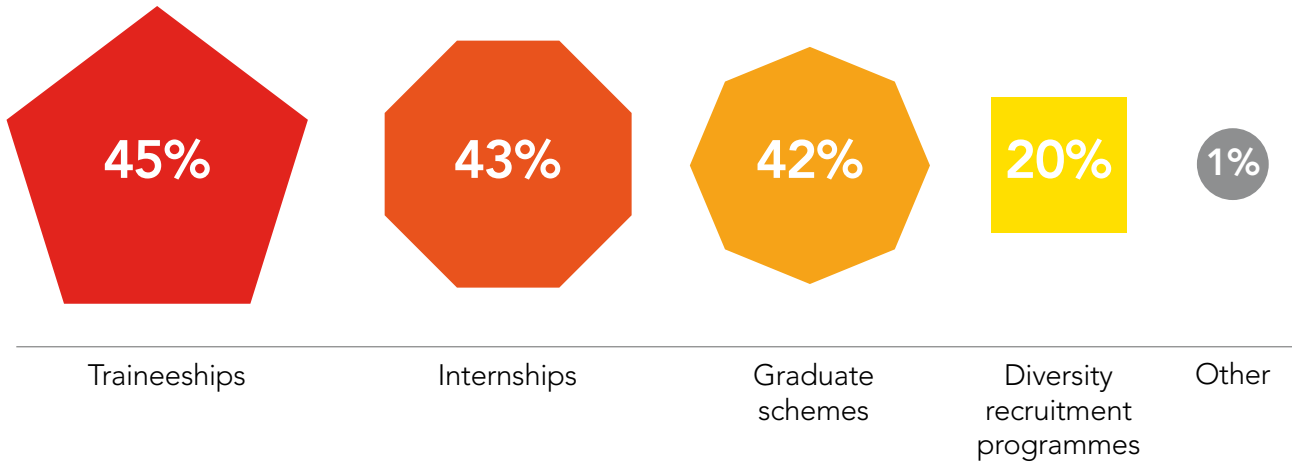
How will the apprenticeship levy affect your current training budget?



*Graduate, traineeships, internships, diversity recruitment programmes etc

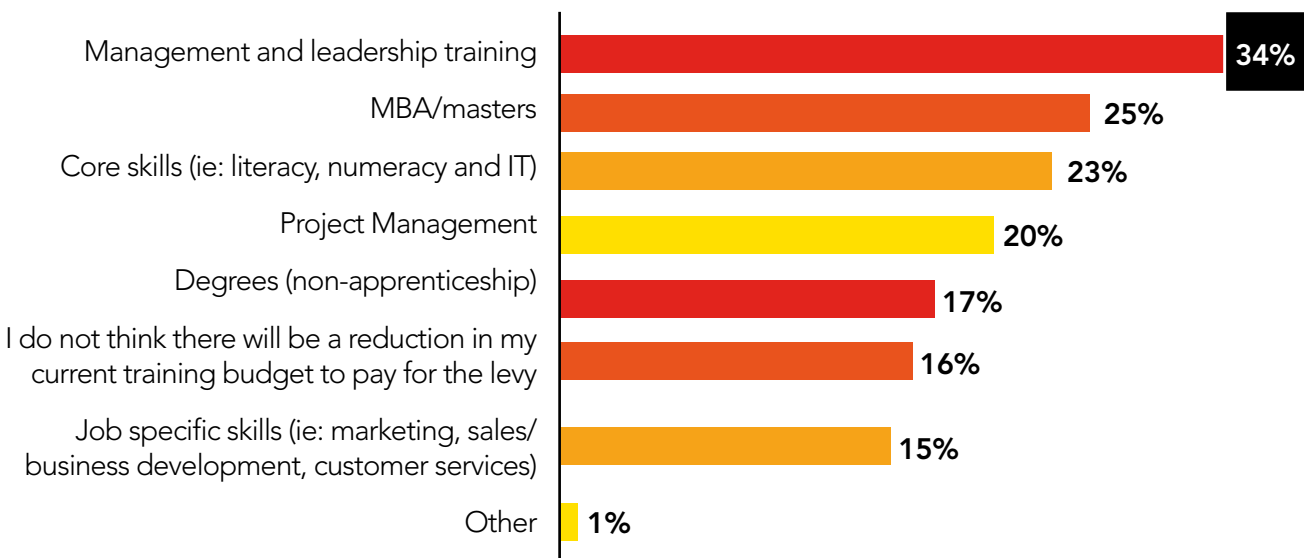
15% of respondents will be cutting other recruitment areas to pay for the levy, with traineeships most likely to be cut (45%), followed by internships (43%), graduate schemes (42%) and diversity recruitment programmes (20%).

Which other recruitment areas will you be cutting to pay for the levy?



The most likely thing to be cut/reduced for those who will be reducing their current training budget to pay for the levy is management and leadership training (34%), followed by MBA/ masters (25%), and core skills (23%).

If your training budget is cut to pay for the levy – what exactly will be cut?

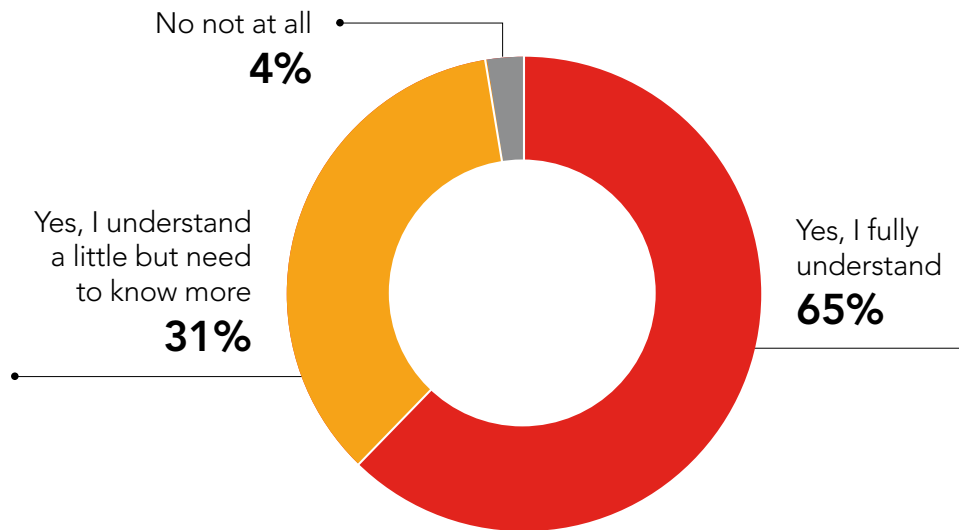


Accessing and offering apprenticeships

Where did people get information about apprenticeships?

65% of respondents told us that they fully understand how to start offering apprenticeships. 31% of respondents told us that they understand a little but need to know more about how to start offering apprenticeships and a further 4% don't understand at all.

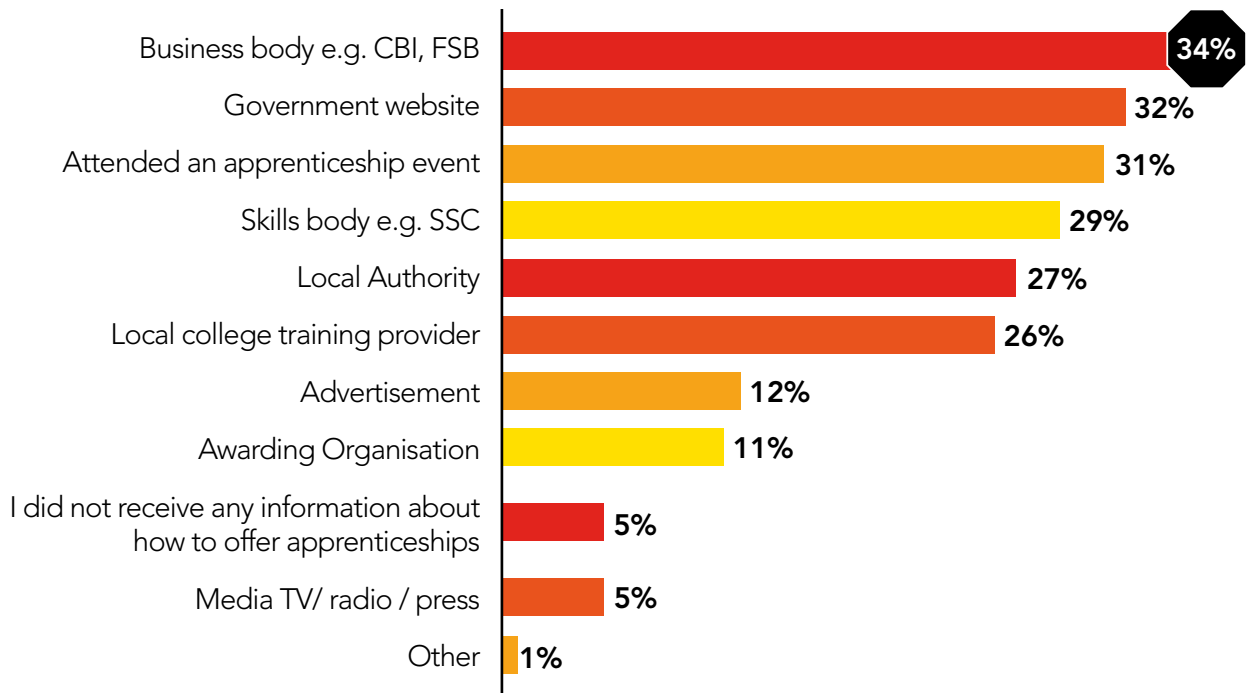
Do you understand how to start offering apprenticeships in your business?



Where did they get information about apprenticeships?

Our respondents told us that they were most likely to have received information about apprenticeships from a business body e.g. CBI, FSB (35%), government website (32%) or from attending an apprenticeship event (31%). They were least likely to have received information from media TV/radio/press (5%).

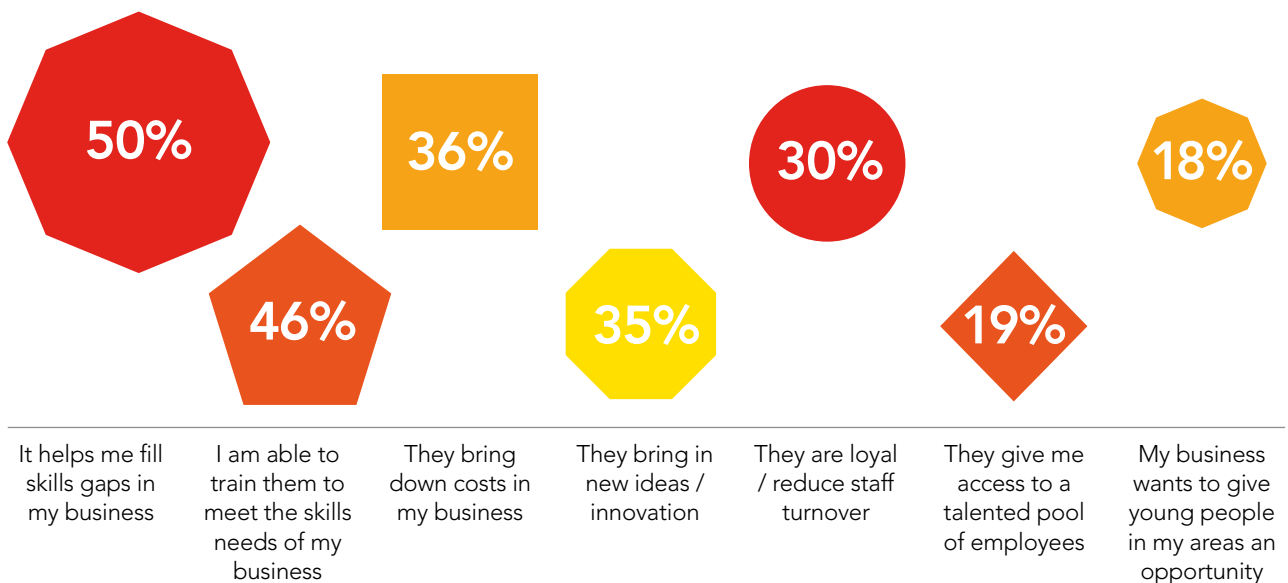
If yes, where did you receive information about how to offer apprenticeships?



Why do organisations offer apprenticeships?

Respondents that currently recruit apprentices say this helps them to fill gaps in their business (50%) and 46% of those who currently recruit apprentices feel able to train them to meet the skills needs of their business. 36% said that they help them bring down costs in their business and 45% said that they bring in new ideas and innovation. 30% said that they are loyal / reduce staff turnover and 19% said that they give me access to a talented pool of employees. 18% said that my business wants to give young people in my areas an opportunity.

Why do you recruit apprentices?

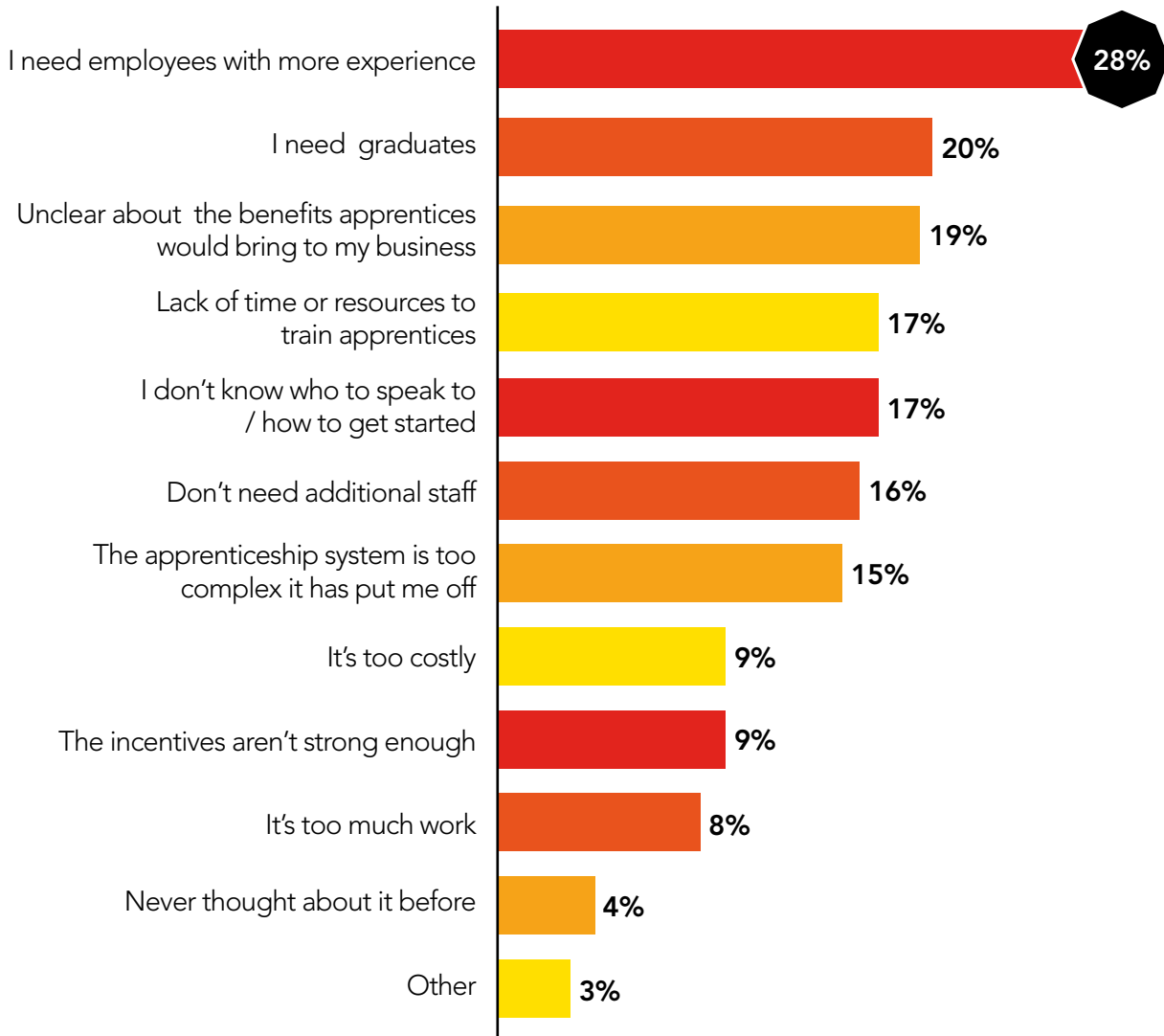


Why don't organisations offer apprenticeships?

For those respondents that don't currently offer apprenticeships the main reason stated was that they feel they need employees with more experience (28%).

A fifth (20%) also stated that they needed graduates and 19% said that they were unclear about the benefits apprentices would bring to their business.

If no, why don't you recruit apprentices?



Recommendations

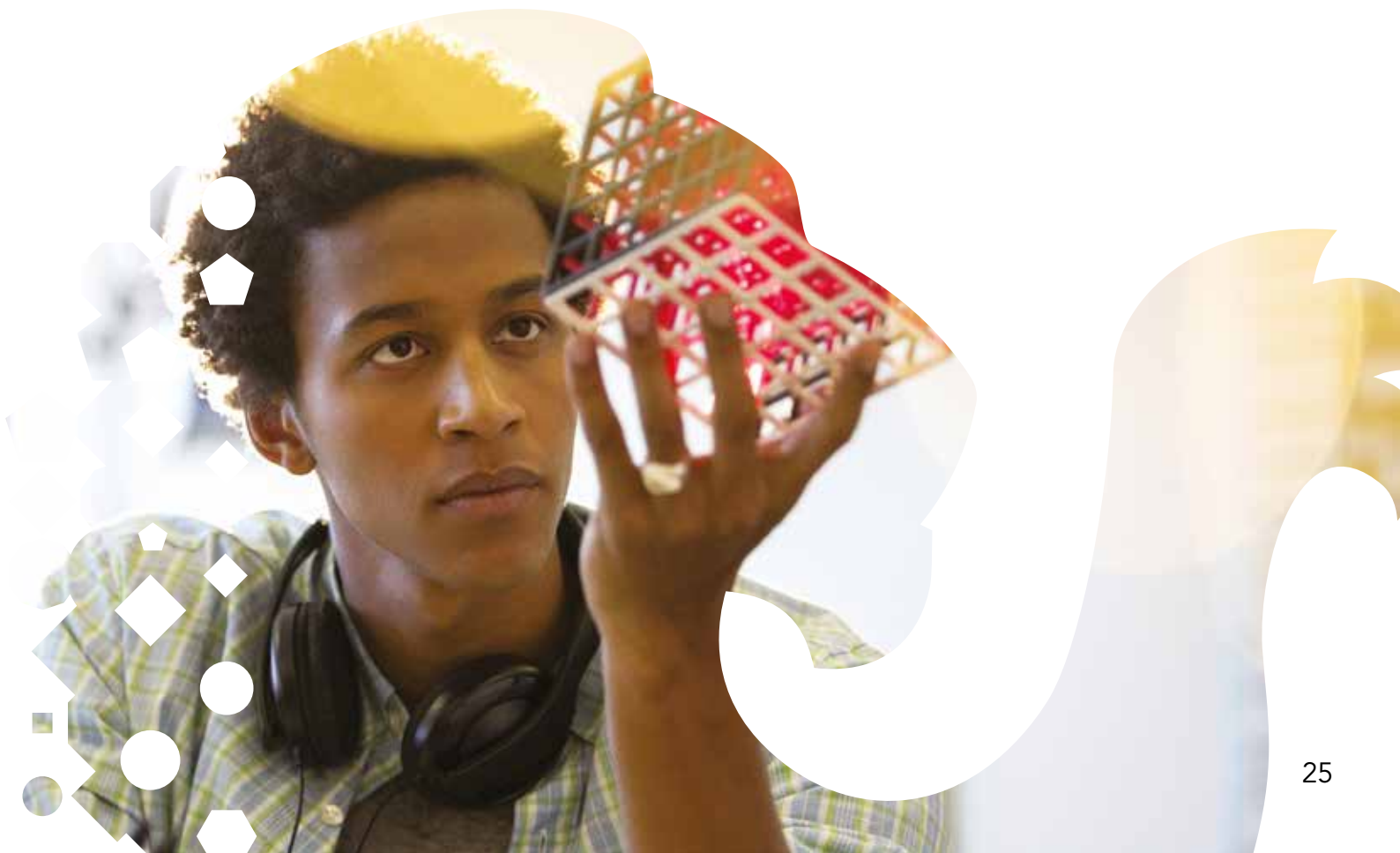
With the research highlighting that they will be the most sought after employee type in 2017, it's clear that apprenticeships are firmly on the agenda for employers. Businesses seem to be widening the recruitment pool beyond graduates and realising the potential of apprenticeships, suggesting that Government policy is beginning to shift behaviour.

However, there are also some areas of concern among the findings. The true impact of Brexit will not be felt or understood for several years and yet it's clear that almost all of our respondents will be impacted given that on average a third of their workers come from the European Union. Despite this there is a worrying lack of concern among the employers questioned. This is part of a wider discussion around the skills self-sufficiency needed in post-Brexit Britain and the issue of how we are going to develop those vital skills in our workforce. It will be crucial that UK skills

policy such as the new apprenticeship system, the newly announced Industrial Strategy and the Post-16 Skills Plan succeeds in the coming years if we are to supply the skilled labour that the UK will need in the future.

The research also highlighted a leadership and management gap among many employers and across all sectors, some more acute than others. Although this was recognised as both a need and a skills gap by many employers, there was also a trend towards reducing leadership and management training to pay for the apprenticeship levy. Alongside this, employers are not yet recognising the potential role apprenticeships can play in training their leaders and managers.

Below are some recommendations designed to address the issues raised in the research and ensure that the new apprenticeship system works for apprentices, employers and the UK economy alike.



Creating understanding of the levy and the new system

Recommendations for Government

- Provide greater transparency around the operational delivery of the apprenticeship reforms so that employers fully understand the options available to them.

Recommendation for employers

- Understand the exact size of your levy and the number of apprenticeships it will fund in your organisation.

Recommendations for colleges and providers

- Recognise the employer is now your customer and ensure you are equipped to deliver the types of apprenticeship training needed by your local employers.
- Communicate to employers the value and importance of end point assessment.

Understanding the breadth of the apprenticeship offer

Recommendation for Government

- Communicate the breadth of the apprenticeship system and its ability to aid in workforce development across the board from entry level through to specialists, managers and leaders.

Recommendations for employers

- Don't look at the levy as a tax, see it as an opportunity to refocus your training and development strategies and understand the potential for apprenticeships to work at every level of your business.

Recommendation for colleges and providers

- Work with your employer customers to help them understand the full scope of apprenticeships and the different job levels and roles they can be supporting.

Making it easier to recruit apprentices

Recommendations for Government

- Encourage parity of esteem for professional and technical routes and academic routes and make sure that schools are able to tell young people about apprenticeships through better careers advice and guidance.
- Follow-through on the idea proposed in the industrial strategies green paper to create a UCAS-style system for technical education so that young people and their parents can access opportunities in the same way as A Levels and university.

Recommendation for employers

- Consider changing recruitment practices and focus on engaging young people much earlier at school when they are still considering their options.

Recommendations for colleges and providers

- Support employers' recruitment strategies by engaging with the local community and providing information and signposting to local apprenticeship opportunities.
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Responsibility for apprenticeships

Recommendations for Government

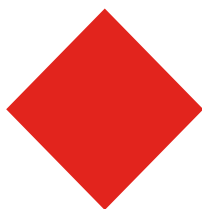
- Create initiatives to encourage more employers to take-up apprenticeships and ramp up communications to promote the benefits of apprenticeships to employers.

Recommendations for employers

- If apprenticeship budgets are moving to finance teams, ensure the accountability for programme design, delivery and quality still remains with the HR and training teams.
- If you are considering managing an apprenticeship programme in-house review your capability and capacity to deliver. Alternatively you may want to partner with a provider or college.
- Consider whether current employees are appropriately trained to support new apprentices and identify additional training needs - i.e. leadership and management.

Recommendations for colleges and providers

- Be flexible in how you work with your new employer customers and support them to deliver apprenticeship training that fulfils their individual skills needs.
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