

## Executive summary

This report aims to provide the further education and skills and business sectors with up-to-date insights into apprenticeships. In doing so, it seeks to debunk myths and clearly communicate the real costs of hiring an apprentice in the current UK landscape. It also demonstrates how businesses and individuals benefit from apprenticeships, with the aim of encouraging greater participation as the UK recovers from the pandemic.

Including sector insights and data, alongside a bespoke survey and qualitative interviews with employers, the report was commissioned by The St Martin's Group, in collaboration with City & Guilds and NCFE, and conducted by the Centre of Economics and Business Research.

Amongst the findings, it was noted that additional costs are incurred upfront by employers over and above wages, delivery of the apprenticeship and line managers' time. While these are sometimes unaccounted for, it was estimated that costs equate to an average £8,060 per apprentice, per annum.

The total costs associated with apprentices – covering wages, training, and these other expenses – amount to approximately £32,300 for the average apprentice in the UK, per year.

Subsidies introduced by governments are driving up the net value – even more so since the pandemic, with grants now broader in scope to encourage greater participation and uptake by employers.

Taking all of this into consideration, with the additional costs and such subsidies, the report uncovered that apprentices' output surpasses their associated costs, delivering a net benefit to employers during their training for those beginning their qualification in 2020/2021. This is likely to increase further upon completion of training and remaining with an employer as apprentice costs and expenses are removed, and productivity increases.

**Employers receive an early net benefit of £2,496 during training, and in some cases significantly more**

The survey conducted by YouGov provided further insight into the benefits experienced by employers of apprentices. It found that 98 per cent of employers which currently employ apprentices experienced additional benefits to their business. Among the most cited benefits were 'addressing skills shortages' and 'providing value for money'.

**98% of employers experienced additional benefits**

These benefits were corroborated with the insights gained from qualitative case studies of The St Martin's Group members including, Capgemini, Co-op, Health Education England (HEE) NHS, IBM, Network Rail and Royal Mail.

Despite the benefits, the report also demonstrates the barriers which remain. More than 80 per cent of businesses surveyed reported barriers to hiring apprentices, including the time required for managing apprentices and difficulty in identifying the right apprenticeship programmes as the most common reasons.

The impact of the Covid-19 pandemic was also considered, with the majority of those employing apprentices believing that apprentices had been beneficial to the business during the pandemic. Results showed that furloughing apprentices was the most prevalent outcome on apprenticeship delivery over the course of the pandemic, though more than one quarter of respondents stated that the pandemic had no impact on apprenticeship delivery.

Data suggests that recovery is underway in the apprenticeship sector; an increase in starts and apprenticeship vacancies have reached peak levels, but individuals from more deprived backgrounds and SMEs remain a concern in terms of participation.

Additionally, it was found that apprenticeship holders outperform the wider labour market on several indicators. They exhibit lower unemployment rates, higher employment rates and are more likely to work full-time. Research points to a wage premium for apprenticeship holders compared to those who began an apprenticeship but did not complete their qualification.

Beyond the net gains from government spending outweighing initial spending costs, there are further advantages of apprenticeships to the wider economy. Their lower unemployment rates mean lower government spending on out-of-work benefits, as well as potential productivity spill-over effects associated with employing apprentices.

**Recommendations from the report conclude that:**

- Financial support should continue in order to aid growth in apprenticeships, particularly for SMEs
- Governments should utilise providers and intermediaries with direct links to SMEs to provide targeted information and advice to help overcome the barriers to participation
- The profile of apprenticeships should continue to be promoted, including providing targeted outreach to encourage more starts, particularly for those in areas of deprivation
- Communication, engagement, and support for current apprentices should be continued, including a centrally funded, co-ordinated support programme with support from organisations such as the Association of Apprentices.

