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Evaluation of the Apprenticeship Grant for Employers (AGE 16 to 24) programme

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Acknowledgements/ Disclaimer

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Contents

Executive Summary

The AGE 16 to 24 programme and its evaluation

There is a substantial history of programmes, within the United Kingdom (UK) and elsewhere in the world, which use public funds to stimulate the creation of Apprenticeships, particularly in difficult economic conditions when employers are cautious about investing in training.

In February 2012, when over a million young people were unemployed, the government introduced an incentive for employers to take on up to three young Apprentices aged 16 to 24. This was the Apprenticeship Grant for Employers of 16 to 24 year olds, or 'AGE 16 to 24'. The incentive comprised a £1,500 grant per Apprentice over and above the subsidy to the cost of training (100 per cent subsidy for Apprentices aged 16-18 and 50 per cent for those aged 19-24). The new grant would be available for up to 40,000 Small and Medium Enterprises (SMEs) with fewer than 250 employees which were new to Apprenticeship (defined as never having had an Apprentice nor having taking on an Apprentice in the last 3 years). This criterion for eligibility was to encourage new or lapsed employers into Apprenticeship and to increase programme additionality (that is, to ensure that as many as possible of the Apprentices created as a result of the AGE 16 to 24 incentive would not have been created in its absence). The subsidy would be paid in two instalments of £750 each, at 8 weeks and 12 months into the Apprenticeship. The arrangement was intended both to assist employers with the early costs of the Apprenticeship and to encourage retention. The programme also had objectives to distribute the AGE 16 to 24 grant such that at least 50 per cent of assisted Apprenticeships would be for Apprentices aged between 16 and 18 and that at least 50 per cent would be taken up by small businesses employing 50 or fewer people.

At the end of August 2012, partly as a result of early evaluation findings and partly in response to other direct feedback from various parties involved in the delivery of the AGE 16 to 24 programme, a number of adjustments were made to its delivery: the 'not in the last 3 years' criterion was reduced to 'not in the last year'; eligibility was extended to employers with up to 1,000 employees; the maximum number of Apprentices supported by the AGE 16 to 24 grant who could be taken on by any one employer was raised from three to ten; and the two-stage payment system was changed to one in which the employer received the full £1,500 grant as a single payment when the Apprentice (or Apprentices) had been in learning for 13 weeks.

The evaluation programme

There was concern to ensure that the AGE 16 to 24 programme, with substantial Treasury funding of £60 million (if all 40,000 grants were taken up), should be fully and formally assessed.

The evaluation programme commissioned by the Department for Business, Innovation and Skills (BIS) involved a number of elements:

- Telephone or face-to-face depth interviews with administrators of the programme in the National Apprenticeship Service (NAS) (responsible for its organisation and marketing) and the Skills Funding Agency (responsible for its funding and payment system).

- Telephone depth interviews with training providers who have provided off-the-job training elements of AGE 16 to 24-supported Apprenticeship frameworks and in many cases, have been responsible for identifying the employers who have hosted AGE 16 to 24-supported Apprentices and for attracting them into the Apprenticeship programme.

- Telephone depth interviews with NAS's 'Strategic Partners'. These Strategic Partners are organisations, such as Sector Skills Councils, Local Authorities, Chambers of Commerce, or National Skills Academies, which have agreed to help promote AGE 16 to 24 to businesses in their sectors or localities. In some cases, Strategic Partners have latterly negotiated with NAS and the Skills Funding Agency to adopt a role whereby they take responsibility for establishing and managing a target number of AGE 16 to 24-supported Apprenticeships with corresponding commitment of AGE 16 to 24 funding to the Partner.

- Telephone interviews based on structured questionnaires with employers in different positions with respect to AGE 16 to 24, including:

    – Employers who have taken on Apprentices with AGE 16 to 24 support and have received the £1,500 funding.

    – Employers who enquired about the AGE 16 to 24 programme but then did not continue to the point where they actually took on an Apprentice and received the grant.

In addition to this primary research, two further evaluation elements were deployed. First, data on the young people who have taken up AGE 16 to 24 Apprenticeships, which is held in the Individualised Learner Record (ILR) system, was analysed. Second, a formal econometric analysis of the effects of the programme was undertaken. This analysis combines data from the employer surveys referred to above and from external sources in order to calculate the prospective returns to individuals, employers and the public purse from the commitment of time and money which participation in, and funding of, AGE 16 to 24 Apprenticeships represents.

The primary research programme was undertaken in three stages within the programme's lifetime to date:

Evaluation activity: primary research

	Stage 1 Summer 2012	Stage 2 Winter 2012-13	Stage 3 Spring 2013
Telephone Surveys	337 engaged employers 200 non-engaged employers	200 engaged employers	500 engaged employers 200 non-engaged employers 300 follow-up interviews of engaged employers previously interviewed at Stages 1 or 2
Telephone or face-to-face discussions	10 NAS/Skills Funding Agency managers 14 providers 9 Strategic Partners	10 providers	9 NAS/Skills Funding Agency managers 16 providers 7 Strategic Partners

Notes:

(1) *Engaged employers* are employers who have hosted Apprenticeships with the assistance of AGE 16 to 24 funding.

(2) *Non-engaged employers* are those who enquired about AGE 16 to 24 but did not follow through and actually establish an AGE 16 to 24-supported Apprenticeship.

(3) *Follow-up interviews* were undertaken at Stage 3 with a sample of employers who had previously been interviewed either at Stage 1 or Stage 2. These interviews were undertaken to assess the development of AGE 16 to 24 Apprenticeships and of employer perspectives on the programme between earlier and later points in those Apprenticeships.

The other elements of the research – ILR and econometric analysis – were undertaken in late spring 2013 so as to include as much up-to-date data as possible.

Characteristics of AGE 16 to 24 Apprentices

Analysis of the records for over twenty-four thousand AGE 16 to 24 Apprentices held in the ILR database and comparison with other contextual data shows:

- The distribution of AGE 16 to 24 Apprenticeships by region broadly follows the distributions of all Apprenticeships for young people aged between 16 and 24 and of Apprenticeships for people of all ages.

- Some regions, however, have shares of AGE 16 to 24 Apprenticeships which do not closely align with the sizes of their employment bases. London, with significantly less AGE 16 to 24 Apprenticeships than the size of its total workforce would predict, is the clearest example of this.

- AGE 16 to 24 Apprentices aged 16 to 18 form a higher proportion of all AGE 16 to 24 Apprentices than they do of all standard Apprentices (those not supported by AGE 16 to 24) aged 16 to 24. In achieving a position in which 67 per cent of all AGE 16 to 24 Apprentices are aged 16 to 18, the programme's objective that half of AGE 16 to 24 Apprentices should be in the young group has been substantially over-achieved.

- AGE 16 to 24 Apprentices are more likely to be male than female and are less likely to have a disability than general Apprentices (probably because of their younger average age).

- AGE 16 to 24 Apprenticeships are considerably more likely to be located in production sectors (agriculture, construction and engineering/manufacturing) than are Apprenticeships in general.

The views of government officials

Discussions with government officials in NAS and the Skills Funding Agency who are responsible for the AGE 16 to 24 programme's administration and funding show:

- These officials are generally supportive of AGE 16 to 24: they believe it to be a valuable contribution to overall government policy to tackle youth unemployment when there is pressure, in conditions of slow economic growth, on the rate at which opportunities for young Apprentices can be created without the additional stimulus which AGE 16 to 24 provides.

- They do not see AGE 16 to 24 as competitive with the Youth Contract employment incentive.

- They are supportive of the changes to employer eligibility and AGE 16 to 24's payment terms made in August 2012, seeing these as a necessary response to market signals.

- Government officials mostly believe that the level of grant, at £1,500, is about right: sufficient to trigger employer engagement but not so high as to incentivise employers who have only low intrinsic interest in Apprenticeship into the programme.

- Government officials expressed some disappointment that (although around two-thirds of all providers contracted by the Skills Funding Agency to deliver work-based learning have used AGE 16 to 24) some providers have chosen not to engage with the programme and others have done so only at a low level, distributing few grants.

- Government officials recognise that Strategic Partners have been valuable to promotion of AGE 16 to 24 and that, where Partners also allocate their own incentives to Apprenticeship, these arrangements are now better co-ordinated with AGE 16 to 24. They also believe that 'ring fence' arrangements with Partners may be more effective than arrangements in which Partners contract to deliver AGE 16 to 24 Apprenticeships directly.

The provider perspective

Discussions with Colleges and private training providers who distribute AGE 16 to 24 grants to employers show:

- These providers are, as in the case of government officials, generally supportive of the principles and objectives of AGE 16 to 24.

- They also welcome the changes to employer eligibility and payment terms and, in some cases, would like to see further relaxation of eligibility criteria.

- They have continuing concerns, however, about the AGE 16 to 24 programme's administration. These concerns centre on the time which it takes for employers to receive payment, on the procedures for establishing employer eligibility which can lead to disputes, and on the fact, as they see it, that they carry a substantial part of AGE 16 to 24 administration costs without any direct financial incentive or management fee.

- Generally, they would like AGE 16 to 24 to continue but would like to see further administrative improvement and would welcome a firm statement on the programme's future.

The views of NAS's Strategic Partners

Discussions with Strategic Partners reveal:

- As with other stakeholder groups, Strategic Partners are supportive of AGE 16 to 24, particularly as, in many cases, its objectives align with local priorities to address youth unemployment; and they are supportive of the changes to employer eligibility and payment arrangements.

- They report their relations with NAS and the Skills Funding Agency as being effective – even though in some cases they have not achieved the local flexibility in AGE 16 to 24's terms which they would have liked.

- As with government officials, they saw local incentive arrangements (typically, a 'top-up' to the AGE 16 to 24 grant) as now better aligned with AGE 16 to 24.

- They frequently have the same concerns as providers in respect of AGE 16 to 24's administration.

Employer perspectives on AGE 16 to 24

Surveys of employers with AGE 16 to 24 Apprentices show:

- The majority of employers are small: over 60 per cent employ 10 or fewer staff and over 80 per cent employ fewer than 25 staff. The programme's objective to engage at least 50 per cent of its employers with 50 or fewer staff has been clearly achieved and exceeded.

- Only around 1 in 50 employers take on more than three AGE 16 to 24 Apprentices and around 80 per cent take on only one.

- Around 85 per cent of employers had never previously had an Apprentice.

- AGE 16 to 24 Apprentices are significantly more likely to be male.

- Awareness of AGE 16 to 24 is most frequently generated by providers. Other sources of awareness, including websites and other media and word of mouth, each generate only small minorities of 'aware' employers.

- Colleges and other providers often supply Apprentices to employers but employers also frequently know the Apprentice in advance of programme participation.

- Employers take on AGE 16 to 24 Apprentices to afford the opportunity to develop the skills the business needs but a minority are also motivated by a wish to help young people in economic difficulty.

- Employers are required to sign a statement on entering the programme stating that they would not have taken on the Apprentice without the AGE 16 to 24 grant. However, when asked what difference the grant had made to their decision to recruit at the time they did, 22 per cent said that it made no difference. This figure is used as the estimate of the programme's deadweight in economic estimates of the programme's impact.

- Only 13 per cent of employers said that the availability or not of a grant would have no significance to a decision as to whether to take on an Apprentice in future.

- Employers had few problems with the programme's administration. Whatever problems occur in programme administration, as recognised by other stakeholder groups, these are not often apparent to employers who take on AGE 16 to 24 Apprentices.

- Substantial majorities of employers with Apprentices are satisfied with their Apprentices, their training providers, and the programme as a whole.

- Over 40 per cent of employers pay above the minimum wage rate to their AGE 16 to 24 Apprentices.

- Surveys estimate a completion rate for AGE 16 to 24 of between 75 and 80 per cent, comparable with Apprentices in the same age group who are not supported by the grant.

- Employers who took on AGE 16 to 24 Apprentices were generally positive about taking on further Apprentices in future but, again, only a minority, of ten per cent, said the availability of a grant or otherwise would have no significance to future decisions on this.

- Eligible employers who had enquired about AGE 16 to 24 but had not then gone on to recruit an Apprentice, revealed that they did not go on to recruit because of factors to do with AGE 16 to 24 but because they could not make the Apprenticeship programme itself work for the business at that time or could not find a suitable Apprentice.

- Significant minorities of these employers had subsequently gone on to recruit an Apprentice (without grant assistance) or said that they expected to do so in future.

Cost Benefit Analysis of AGE 16 to 24

- For AGE 16 to 24 Apprentices, lifetime net earnings benefits from completion of an Intermediate Apprenticeship are estimated as being £95,500 and from completion of an Advanced Apprenticeship as being £151,000

- For employers, net benefits arise from additional productivity which accrues to them after they have met their share of Apprenticeship costs and after post-Apprenticeship wage costs are accounted for. These benefits are dependent on the period in which employment of the Apprentice after the Apprenticeship is sustained and on the value of the 'excess' productivity, which is quite varied between different sectors. Because of these uncertainties, financial estimates of employer benefit have not been made. However, other authors have suggested that, on average, about half the productivity gain from work-based learning is absorbed by additional wage costs, the other half accruing to the employer. If this holds true in this case, then significant benefits will result for employers who host AGE 16 to 24 Apprenticeships.

- For the economy, it is estimated that there is a net return to the state on Intermediate Apprenticeships supported by AGE 16 to 24 of £18 per pound spent; and that there is a net return to the state on Advanced Apprenticeships supported by AGE 16 to 24 of £24 per pound spent.

- In fiscal terms, it is estimated that additional public revenues per Apprentice of £31,360 (Intermediate Apprenticeships) and £49,900 (Advanced Apprenticeships) accrue to the Treasury over the lifetime after Apprentices complete [as tax and National Insurance receipts over-compensate for the combined costs of initial direct spending on the programme and of reduced revenues due to lower tax receipts and national insurance contributions during the Apprenticeships]. These estimates are conservative because they do not include additional Exchequer gains from the reduction in lifetime welfare benefit payments which can be assumed to result from Apprenticeship completions.

Overview

An evaluative overview of the AGE 16 to 24 programme is set out, firstly, in respect of the programme's ***processes and delivery***:

- An effective administrative system was established which delivered a programme of significant size.

- Eligibility and payment arrangements were adjusted successfully in response to market experience.

- Effective strategic partnerships have been developed and local 'top-ups' have been better integrated.

- The programme is satisfactory from the employer point of view and many pay more than the Apprentice minimum wage.

There are some caveats to this generally positive view which concern administrative procedures for checking employer eligibility and paying employers, the mixed level of provider commitment, and delivery by contracted Strategic Partners. However, these do not undermine the basic proposition that a new programme has been established and operated successfully.

Secondly, in respect of programme ***outputs***:

- The programme has delivered around 30,000 AGE 16 to 24 Apprenticeships in the 2012-13 financial year.

- This volume did not meet the target of 40,000 grants. However, the target was set in the absence of any clear information on market demand and in practice, the level of achievement was substantially market-driven in difficult economic conditions.

- The programme exceeded its target that 50 per cent of Apprentices should be aged 16 to 18.

- The programme exceeded its target that 50 per cent of employers should have fewer than 50 employees.

- The programme performed strongly in the agriculture, construction, and engineering/ manufacturing sectors (this perhaps being associated with a relatively high share of young men in the programme).

- When programme outputs are assessed for deadweight:

  - Evaluation surveys suggest deadweight is about a fifth (measured as the percentage of employers saying that the *‘grant made no difference to decision to take on an Apprentice now’*).

  - This measure fits with AGE 16 to 24’s philosophy and marketing. Essentially, programme managers want the grant to trigger the establishment of Apprenticeships but do not want employers who are just in it for the money.

  - 85 per cent of employers were new to Apprenticeship.

  - Only around 12 per cent of employers say that decisions on future recruitment of young Apprentices would *not* be influenced by grant availability.

Thirdly, in respect of programme ***outcomes***:

- AGE 16 to 24 has an estimated completion rate (75 per cent-80 per cent) in line with standard Apprenticeships for 16 to 24 year olds.

- Engaged employers have been made more responsive to Apprenticeship – most are positive about future recruitment of young Apprentices.

- Substantial minorities of non-engaged (‘enquirer’) employers have recruited or expect to recruit Apprentices.

- The Strategic Partnerships established in the AGE 16 to 24 programme may have future value if NAS develops other initiatives which can benefit from local involvement.

- A negative outcome may be that market dependence on, or expectation of, incentives has developed such that withdrawal of the grant may need to be carefully managed if young Apprentice numbers are not to fall back significantly.

Finally, in respect of programme ***impacts***:

Cost-benefit analysis shows that the various stakeholders involved in AGE 16 to 24-supported Apprenticeships face substantial costs in the short term. This however represents a rational investment for Apprentices, employers, the Exchequer and society at large. In the long term, even allowing for some deadweight in the programme, the benefits arising from AGE 16 to 24-supported Apprenticeships substantially surpass the costs.

Introduction

The AGE 16 to 24 programme

1. In February 2012, the government introduced an incentive for employers to take on up to three young Apprentices aged 16 to 24. This was the Apprenticeship Grant for Employers of 16 to 24 year olds, or ‘AGE 16 to 24’. The incentive comprised a £1,500 grant per Apprentice over and above the subsidy to the cost of training (100 per cent subsidy for Apprentices aged 16-18 and 50 per cent for those aged 19-24). The new grant would be available for up to 40,000 Small and Medium Enterprises (SMEs) with fewer than 250 employees which were new to Apprenticeship (defined as never having had an Apprentice or having taken on an Apprentice in the last 3 years). This criterion for eligibility was to encourage new or lapsed employers into Apprenticeship and to increase programme additionality (that is, to ensure that as many as possible of the Apprenticeships created as a result of the AGE 16 to 24 incentive would not have been created in its absence). The subsidy would be paid in two instalments of £750 each, at 8 weeks and 12 months into the Apprenticeship. This arrangement was intended both to assist employers with the early costs of the Apprenticeship and to encourage retention. The programme also had objectives to distribute the AGE 16 to 24 grant such that at least 50 per cent of assisted Apprenticeships would be for Apprentices aged between 16 and 18 and that at least 50 per cent would be taken up by small businesses employing 50 or fewer people. The first of these objectives was intended to encourage providers (who distributed the grant) to introduce substantial numbers of young people, 16 to 18 year olds, into the programme in recognition of the belief that it is harder to find Apprenticeship opportunities for this group. The second objective was intended to encourage the spread of Apprenticeships into quite small businesses in recognition of the fact that proportionally fewer of these businesses have historically engaged with Apprenticeship.

2. More generally, the subsidy was introduced in response of two basic circumstances. Firstly, unemployment of young people in the age group exceeded one million (at a rate, in January 2012, of 23 per cent). The risk of some of these people becoming long-term NEET (Not in Education, Employment or Training) at considerable future cost[1] to the public purse was significant. Second, employers, particularly smaller ones, are, as above, sometimes reluctant to take on Apprentices and younger ones specifically[2].

3. At the end of August 2012, partly as a result of early evaluation findings and partly in response to other direct feedback from various parties involved in the delivery of the AGE 16 to 24 programme, a number of adjustments were made to its delivery: the 'not in the last 3 years' criterion was reduced to 'not in the last year'; eligibility was extended to employers with up to 1,000 employees; the maximum number of Apprentices supported by the AGE 16 to 24 grant who could be taken on by any one employer was raised from three to ten; and the two-stage payment system was changed to one in which the employer received the full £1,500 grant as a single payment when the Apprentice (or Apprentices) had been in learning for 13 weeks.

Context: use of incentives to stimulate Apprenticeship formation

4. In establishing the AGE 16 to 24 approach, the Department for Business, Innovation and Skills (BIS) was taking a course which is not without substantial precedent. A recent report by the International Labour Organisation[3] observed the general case for Apprenticeship:

'Apprenticeships benefit society and the economy by much more than just improving employment prospects for young people, important though that is. Apprenticeships match the supply of skills with demand from employers much more efficiently than is possible with a system of school-based full-time vocational education. They develop high level skills identified by employers as necessary for growth and increased productivity. To the extent that skills developed in Apprenticeship promote higher value-added economic activity, they are good for growth and for general welfare. The higher earnings associated with higher productivity provide higher tax take which governments can use for health, education, and other general welfare measures.'

However, the report also noted that, whilst there is a 'market' case for Apprenticeship:

[1] *Estimating the lifetime cost of NEET; 16-18 year olds not in Education, Employment or Training,* Department of Social Policy and Social Work and Department of Health Sciences, University of York, on behalf of the Audit Commission, July 2010. This work estimated an average lifetime public finance cost of NEET as £56,300 per individual.

[2] See, for example, *Rethinking Apprenticeships*, Institute for Public Policy Research, November, 2011

[3] *Overview of Apprenticeship systems and issues; ILO contribution to the G20 Task Force on Employment*, International Labour Organisation, November 2012

'...subsidies from public funds to employers … can help to reduce the uncertainty that surrounds the Apprenticeship contract. These have proved to be necessary in times of cyclical downturns in the economy when the supply of Apprentice places is reduced' and particularly that 'short-term targeted government subsidies have been used to compensate companies for the additional cost of taking 'hard to place' Apprentices.'

5. Just as some examples of this, as early as 1978, Luxembourg[4] offered a subsidy to employers to any employer training an Apprentice under an Apprenticeship contract; from 2007, the Cyprus government[5] offered wage subsidies as part of its New Modern Apprenticeship programme, an offer which, with partial European Social Fund (ESF) support, was up-dated in July 2010; in Australia[6], an existing incentive scheme was tripled in October 2009 such that $5,000 (roughly £2,500) was to be available for employers taking on traditional trade Apprentices; and a French action plan for youth unemployment[7], announced in April 2009, established exemption from employer social security contributions for one year and, for SMEs with fewer than 50 employees, an employer subsidy of €1,800 for newly recruited Apprentices.

6. Within the United Kingdom (UK), the Scottish Government[8] offered two support programmes from June and November 2009 onwards respectively. 'Adopt an Apprentice' offered £2,000 to Scottish businesses which took on a redundant Apprentice whilst 'Safeguard an Apprentice' offered small and medium-sized enterprises (SMEs) in construction, manufacturing, and engineering a £75 per week subsidy to retain Apprentices on short-time working or at risk of redundancy. In Wales, the Young Recruits Programme[9] offers a subsidy of £50 per week for one year (£2,600 in total) to employers who take on a 16 to 24 year old Apprentice when they would not otherwise have done so. In Northern Ireland[10], subsidy of between £500 and £2,500 (dependent on sector and specialist needs) was available from ApprenticeshipsNI with part-funding from the ESF to encourage Apprentice recruitment.

7. Other Apprenticeship subsidy programmes have operated in particular sectors. For example, ConstructionSkills and the Homes and Communities Agency[11] announced a £1,000 grant in September 2009 to encourage construction businesses to recruit redundant Apprentices; in June 2010, the Skills for Logistics Sector Skills Council

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[4] www.eurofound.europa.eu>...>EMIRE>Luxembourg>LetterA
[5] www.personalbusinesstaxguide.com/.../cyprusApprenticeshipandwork
[6] www.abc.net.au/news/stories/2009-10-16...Apprentice-subsidy/1106720
[7] www.issa.int/.../the-impact-of-the-crisis-on-young-people-socialpolicies-and-employment-solutions
[8] www.scotland.gov.uk>skillsforscotland/youngrecruits
[9] http://wales.gov.uk/topics/educationandskills/skillsandtraining/Apprenticeship/youngrecruitsprogramme
[10] www.delni.gov.uk/Apprenticeshipsni
[11] www.cskills.org/aboutus/newsandevents/news/Apprenticeship-boost.aspx

(SSC)[12] offered employers a 50 per cent subsidy for 19-24 year olds to move from warehousing work into driving goods vehicle Apprenticeships; and 'Carefirst', a Department for Work and Pensions (DWP) programme[13] launched in April 2009, offered social care employers a £1,500 subsidy to take 18-24 year olds into Apprenticeship.

8. Still other Apprenticeship subsidy programmes have operated locally in England. In Essex, for example, in May 2010, the County Council[14] offered employers in specified sectors a wage subsidy of 70 per cent of the £95 Apprentice Minimum Wage in an effort to create 1,750 additional Apprenticeships by 2012; in 2010, too, Somerset Skills and Learning (a local partnership) offered to support a small number of Apprenticeships[15] in a range of key local sectors with a subsidy of £1,500 per placement; and in Cornwall, 'Objective 1' funding has been used from 2007 to encourage employers in any industry to take on Apprentices[16]. Numerous other local authorities (for example, Eden District Council[17], Birmingham City Council[18], Newcastle City Council[19], Durham County Council[20]) have also offered support to the establishment of Apprenticeships for young people. Other programmes have been available on Merseyside and in Greater Manchester with support from the ESF and/or local authorities.

9. Further, in 2010, the Apprenticeship Grant for Employers of 16 to 24 year olds had been *piloted* successfully with 4,000 grants being made available and taken up, though on that occasion the grant was higher, at £2,500.

10. Generally, thus, relatively small scale subsides to stimulate Apprenticeship formation, particularly in difficult economic conditions and to create Apprenticeships for young people (who have particular employment difficulties and for whom external authorities feel a particular 'duty of care') have been widely used – at national level, as with AGE 16 to 24, or with a specific sector or local geographical focus. However, the subsidies, often being small scale or temporary in nature, have not usually been systematically evaluated. Whilst subsidies have been seen as successful in that employers have taken up the incentives and numbers of Apprenticeships have been established, the potential for deadweight – that the Apprenticeships would have been

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[12] www.roadtransport.com/SFL-urges-firms-to-consider-Apprentices.htm
[13] www.nursingtimes/net/Apprenticeship/5000787.article
[14] www.tes.co.uk.article.aspx?storycode=6043056
[15] www.westsomersetonline.gov.uk/.../GetNewsLetter.aspx?IssueId
[16] www.objective.com/client/reviews/Q%20Review3.02.pdf
[17] http://www.eden.gov.uk/your-council/communicating-with-the-public/news/?entryid27=30723
[18] http://www.eukn.org/Doissiers/Youth_in_Cities/Practice/Birmingham_Apprenticeship_Scheme
[19] http://thenortheasthub.com/blog/newcastle-businesses-encouraged-to-recruit-Apprentices/?doing_wp_cron=1368713882.3447802017211914 06250
[20] http://www.decha.org.uk/doc_up/1_367_County-Durham-Apprenticeship-Programme.pdf

established anyway – has perhaps been a secondary consideration in the light of the pressing social problem of young people's unemployment and has often not been assessed.

The evaluation programme

11. Notwithstanding the evaluation of the AGE 16 to 24 pilot programme noted above, there was, therefore, a concern to ensure that the full AGE 16 to 24 programme, with much more substantial Treasury funding of £60 million (if all 40,000 grants were taken up), should be fully and formally assessed.

12. The evaluation programme commissioned by BIS to undertake this assessment has involved a number of elements:

- Telephone or face-to-face depth interviews with administrators of the programme in the National Apprenticeship Service (NAS) (responsible for its organisation and marketing) and the Skills Funding Agency (responsible for its funding and payment system).

- Telephone depth interviews with training providers who have provided off-the-job training elements of AGE 16 to 24-supported Apprenticeship frameworks and in many cases, have been responsible for identifying the employers who have hosted AGE 16 to 24-supported Apprentices and for attracting them into the Apprenticeship programme.

- Telephone depth interviews with the National Apprenticeship Service's 'Strategic Partners'. These Strategic Partners are organisations, such as Sector Skills Councils, Local Authorities, Chambers of Commerce, or National Skills Academies, which have agreed to help promote AGE 16 to 24 to businesses in their sectors or localities. In some cases, Strategic Partners have latterly negotiated with NAS and the Skills Funding Agency to adopt a role whereby they take responsibility for establishing and managing a target number of AGE 16 to 24-supported Apprenticeships with corresponding commitment of AGE 16 to 24 funding to the Partner.

- Telephone interviews based on structured questionnaires with employers in different positions with respect to AGE 16 to 24, including:

  - Employers who have taken on Apprentices with AGE 16 to 24 support and have received the £1,500 funding.

  - Employers who enquired about the AGE 16 to 24 programme but then did not continue to the point where they actually took on an Apprentice and received the grant.

13. In addition to this primary research, involving discussion and interviews with the various participants in the programme, two further evaluation elements have been deployed. First, data on the young people who have taken up Apprenticeships which have been supported by AGE 16 to 24 is held in the Individualised Learner Record (ILR) system. This is the large computer database which maintains a record of all learners (in Further Education and Apprenticeship generally) who are funded by the Government. Analysis of the data held on AGE 16 to 24 Apprentices allows a descriptive overview of their numbers and demographic characteristics to be produced.

14. Second, a formal econometric analysis of the effects of the programme has been undertaken. This analysis combines data from the employer surveys referred to above and from external sources in order to calculate the prospective returns to individuals, employers and the public purse from the commitment of time and money which participation in, and funding of, AGE 16 to 24 Apprenticeships represents.

15. Because of the recent origin of AGE 16 to 24, it was important that evaluation work began early in the programme's lifetime so that early information would be available to provide lessons for the programme's continuing development. Thus, the primary research programme described in outline above has been undertaken in three stages within the programme's lifetime to date. The programme's inception, as noted earlier, was in February 2012. It took some months to gain pace but, by the summer of 2012, sufficient AGE 16 to 24 Apprenticeships had been established and sufficient delivery experience gained as to allow a first stage of evaluation. This was undertaken and reported in an unpublished interim report to BIS in October 2012. There was further smaller-scale primary research in late 2012 and early 2013 which was reported to BIS, in the form of a brief 'headlines' report in February 2013. A final round of primary research was undertaken in spring 2013. The primary research inputs to this staged programme of evaluation activity are summarised overleaf:

Table 1: Evaluation activity: primary research

	Stage 1 Summer 2012	Stage 2 Winter 2012-13	Stage 3 Spring 2013
Telephone surveys	337 engaged employers 200 non-engaged employers	200 engaged employers	500 engaged employers 200 non-engaged employers 300 follow-up interviews of engaged employers previously interviewed at Stages 1 or 2
Telephone or face-to-face discussions	10 NAS/Skills Funding Agency managers 14 providers 9 Strategic Partners	10 providers	9 NAS/Skills Funding Agency managers 16 providers 7 Strategic Partners

Notes:
(4) *Engaged employers* are employers who have hosted Apprenticeships with the assistance of AGE 16 to 24 funding.
(5) *Non-engaged employers* are those who enquired about AGE 16 to 24 but did not follow through and actually establish an AGE 16 to 24-supported Apprenticeship.
(6) *Follow-up interviews* were undertaken at Stage 3 with a sample of employers who had previously been interviewed either at Stage 1 or Stage 2. These interviews were undertaken to assess the development of AGE 16 to 24 Apprenticeships and of employer perspectives on the programme between earlier and later points in those Apprenticeships.

16. The other elements of the research – ILR and econometric analysis – were undertaken in preliminary form for inclusion in the October 2012 interim report and have been finalised with as much up-to-date data as possible for this report. Respectively, they provide the substance of Chapters 2 and 7 of this report.

17. The report now presents the intelligence and data gathered over the full evaluation programme. It does so by presenting evidence from each separate element of the study. A final chapter draws on these various sources to reach conclusions about the effectiveness of the AGE 16 to 24 programme.

Characteristics of AGE 16 to 24 Apprentices

Introduction

18. Each individual who takes up an AGE 16 to 24-supported Apprenticeship is registered on the Skills Funding Agency's Individual Learner Record (ILR) system by the training provider who manages the Apprenticeship. AGE 16 to 24-supported Apprentices are identified by a particular 'flag' which allows them to be distinguished from other learners on the system.

19. This brief chapter analyses the records for the first 24,420 Apprentices funded under the AGE 16 to 24 programme since the first AGE 16 to 24 Apprenticeship starts in April 2012.

Regional distribution

20. The proportions of AGE 16 to 24 Apprentices resident in each standard English region are set out in a first table below. Three comparators are also set out in the table. The first two are the proportions of standard Apprenticeships held by 16-24 year olds in each region and of all Apprenticeships, for Apprentices of any age, in each region (starts in 2011/12 in each case). The third is the proportion of all employment in each region:

Table 2: Percentages of AGE 16 to 24 Apprenticeships, of 16-24 Apprenticeships, of Apprenticeships generally, and of employment in England, by region

	Percentage of AGE 16 to 24 Apprenticeships (Base = 24,420) %	Percentage of all 16 to 24 Apprenticeships (Base = 288,300) %	Percentage of all Apprenticeships (Base = 520,600) %	Percentage of all English employment (Base = 23,058,930 employees) %
East Midlands	9	9	9	8
East of England	9	9	9	10
London	7	8	9	19
North East	7	7	7	4
North West	18	17	17	13
South East	13	14	13	16
South West	14	11	11	10
West Midlands	11	12	12	10
Yorkshire and Humber	11	13	13	10
Not known	2	-	-	-
	100	**100**	**100**	**100**

Sources: ILR; the Data Service (ONS); Business Register and Employer Survey, 2011, ONS

21. It can be seen that regional shares of AGE 16 to 24 Apprenticeships are mainly fairly close to regional shares of all Apprenticeships for 16 to 24 year olds. However, the South West has a somewhat larger share and London, Yorkshire and Humber, and

the West Midlands have somewhat lower shares of AGE 16 to 24 Apprenticeships than of standard Apprenticeships for 16 to 24 year olds. Because shares of standard Apprenticeships for 16 to 24 year olds and for people of all ages are fairly similar, these differences are also true in respect of the relationship between shares of AGE 16 to 24 Apprenticeships and shares of all-age standard Apprenticeships.

22. Comparing shares of AGE 16 to 24 Apprenticeships with regional shares of national employment shows some more marked divergences. London has shares of AGE 16 to 24 Apprenticeships (and of Apprenticeship in general) which are less than half of what London's share of employment might predict. The South East region, too, has under-representation while the North East and the North West are over-represented in terms of both AGE 16 to 24 and standard Apprenticeships.

23. It appears that numbers of AGE 16 to 24 Apprenticeships and of Apprenticeships mainly run in parallel with mostly minor variations. Relatively strong or weak representation of Apprenticeship in relation to regional employment shares is well-recognised and may occur because of a blend of two factors:

- Some regions form a more natural home for Apprenticeship – stronger representation of Apprentice-receptive sectors (particularly manufacturing) and, related to this, strong Apprenticeship traditions.

- Different levels of prosperity affect employer and individual demand for participation.

24. The clearest example of this is London which, as above, has a very significant under-representation of Apprenticeships in general in relation to its employment base. However, London also has further under-representation of AGE 16 to 24 Apprenticeships (in relation both to standard Apprenticeships for 16 to 24 year olds and to all-age standard Apprenticeships).

Age and gender of AGE 16 to 24 Apprentices

25. AGE 16 to 24 Apprentices are, on average, younger than 'standard' Apprentices within the 16 to 24 age band. Sixteen to eighteen year old AGE 16 to 24 Apprentices comprise 67 per cent of all 16-24 year old AGE 16 to 24 Apprentices but 45 per cent of all 16-24 year old standard Apprentices:

Table 3: Age of Apprentices

	AGE 16 to 24 Apprentices %	Standard Apprentices %
Bases	24,420	291,310
Age 16-18	67	45
Age 19-24	33	55
	100	**100**

Sources: ILR; the Data Service (ONS)

26. AGE 16 to 24 Apprentices are significantly more likely to be male than female. This reverses the position for standard Apprentices of any age and represents an accentuation of the position for standard Apprentices in the 16-24 years age group:

Table 4: Gender of AGE 16 to 24 Apprentices

	AGE 16 to 24 Apprentices %	16-24 years standard Apprentices %	All standard Apprentices %
Base	24,420	291,200	520,600
Male	62	52	47
Female	38	48	53
	100	**100**	**100**

Sources: ILR; the Data Service (ONS)

Ethnic background

27. 8 per cent of AGE 16 to 24 Apprentices have a black or minority ethnic (BME) background. This proportion is slightly lower than that of nine per cent for Apprentices in general (source: the Data Service, Apprenticeship, 2010/11).

Disability

28. 5 per cent of AGE 16 to 24 Apprentices have a disability or learning difficulty compared with eight per cent of Apprentices in general (source: the Data Service, Apprenticeship, 2010/11).

29. However, the figure for Apprentices in general is for all ages of Apprentices, not just for 16 to 24 year olds (this latter statistic not being available). It seems probable that the younger age profile of AGE 16 to 24 Apprentices accounts for the variation in levels of disability between AGE 16 to 24 Apprentices and Apprentices in general.

Prior qualifications

30. The maximum qualification level of AGE 16 to 24 Apprentices prior to entering their programme is shown in the following table:

Table 5: Prior attainment of AGE 16 to 24 Apprentices

	Age 16-18 %	Age 19-24 %	All %
Bases	11,725	12,342	24,067
Level 4	0	*	0
Level 3	4	20	12
Level 2	43	44	44
Level 1	38	25	31
Entry level	4	3	43
No qualification	7	6	7
Not known	2	1	2
	100	**100**	**100**

Source: ILR **denotes less than 0.5%*

31. Exact comparator data for Apprentices in general is not available. However, the data suggests that the prior qualification levels of AGE 16 to 24 Apprentices – mostly between Levels 1 and 3 – are in the typical range for young people preparing to study and train at Levels 2 or 3 as in AGE 16 to 24 Apprenticeships.

Business area of AGE 16 to 24 Apprenticeships

32. The next table examines the business area in which AGE 16 to 24 Apprenticeships are located. It can be seen that AGE 16 to 24 Apprenticeships have a much stronger base in production sectors – agriculture and related activities, construction, and engineering and manufacturing – than do Apprenticeships in general; and, conversely, lesser representation in service sectors such as business and administration, care, and retail:

Table 6: AGE 16 to 24 Apprenticeships by business area

	AGE 16 to 24 Apprenticeships %	All Apprenticeships %
Bases	24,420	520,600
Agriculture, Horticulture and Animal Care	5	2
Arts, Media and Publishing	1	*
Business, Administration and Law	27	32
Construction, Planning and the Built Environment	9	5
Education and Training	1	1
Engineering and Manufacturing Technologies	28	11
Health, Public Services and Care	6	21
Information and Communication Technology	4	4
Leisure, Travel and Tourism	2	4
Retail and Commercial Enterprise	18	21
Unknown	0	0
	100	**100**

Source: ILR; The Data Service (ONS) **denotes less than 0.5%*

Rate of flow on to the AGE 16 to 24 programme

33. Examination of the ILR record for AGE 16 to 24 Apprenticeships also allows the rate at which young people entered the programme to be seen. The following table shows acceleration of starts from April 2012. The September 2012 peak, at the start of the College year, is also evident. The drop-off in numbers from late 2012 onwards is largely an artefact of time-lag in the ILR system. For example, for the first 3 months of 2013, there are a further 4,316 Apprenticeships which are 'in the pipeline' but have not yet achieved the 'start' status which is counted in the table:

Table 7: Starting months of AGE 16 to 24 Apprenticeships

	Number	%
April 2012	1,079	4
May 2012	1,151	5
June 2012	1,162	5
July 2012	2,473	10
August 2012	2,742	11
September 2012	7,973	33
October 2012	3,848	16
November 2012	2,605	11
December 2012	1,226	5
January 2013	154	1
February 2013	7	0
Total	**24,420**	**100**

Source: ILR; The Data Service (ONS)

The views of government officials

Introduction

34. Government officials, with varying roles in the National Apprenticeship service (NAS) or the Skills Funding Agency, and with varied responsibilities for the development, management, and marketing of the AGE 16 to 24 programme, were interviewed in two tranches, firstly in the summer of 2012 (twelve interviews) and the spring of 2013 (nine interviews).

Early perspectives on AGE 16 to 24

35. The first, summer 2012, tranche of interviews was undertaken at an early stage of AGE 16 to 24's operation but at a point where some changes in employer eligibility for AGE 16 to 24 support and in the grant's payment arrangements were on the horizon.

36. Broadly, at that point, officials were supportive of AGE 16 to 24's rationale as a response to youth unemployment and as a prospective mitigation of the long-term costs to public budgets which can stem from young people entering a prolonged period of unemployment in the years following the end of compulsory education.

37. They were largely pragmatic about the programme's aspirations to secure at least half of AGE 16 to 24-supported Apprenticeship's for 16-18 year olds and in small firms employing 50 or fewer people. They anticipated that AGE 16 to 24 would have a natural market, to which providers, in 'selling' AGE 16 to 24 Apprenticeships, would necessarily respond, with the result that these aspirations might or might not be fulfilled.

38. They had mixed views on the level of grant of fifteen hundred pounds. On one hand, there was a view that this sum was sufficient to trigger more Apprenticeships for young people without the grant itself becoming the sole reason for the generation of Apprenticeships – a circumstance, in the latter case, which they believed could generate Apprenticeships which were insufficiently linked to business skills needs and Apprentices' best interests. On the other hand, there was a simple concern that a grant of fifteen hundred pounds would not be sufficient to incentivise employers to establish Apprenticeships in large numbers given the short-term costs, over the first months of the Apprenticeship, which employers bear before the Apprentice becomes reasonably productive.

39. On prospective changes to AGE 16 to 24 eligibility, officials were supportive of reducing the period in which employers should not previously have recruited an Apprentice from three years to one year. It was believed that the longer period was too restrictive given AGE 16 to 24's rationale as a response to a pressing youth unemployment issue; and, in practical terms, that it had generated problems in accurately discriminating eligible from ineligible employers. Officials were more neutral on the prospective change in AGE 16 to 24 payment terms, from two payments of £750 after 8 weeks and 12 months of the Apprenticeship to one payment of £1500 at 13 weeks. Most had not received negative feedback on the original system though they recognised it created additional administrative costs for providers and the Skills Funding Agency. There were also concerns that payment at a 13 week point would be too late for very small businesses with tight cash flows and that some employers might abuse the grant by terminating Apprenticeships shortly after receipt of the grant.

40. Officials also considered the relationship of AGE 16 to 24 to the wage subsidy which the Youth Contract offers to employers who take on an unemployed 18 to 24 year old and to the varied incentives offered by numerous Local Authorities to employers in their areas to employ young people and/or to recruit young Apprentices. The view most frequently taken was that AGE 16 to 24 and the Youth Contract wage subsidy were complementary – addressing two different employer needs and often dealing with different groups of young people – AGE 16 to 24 candidates tending to be better qualified, Youth Contract candidates having, by definition, to have been unemployed for at least 6 months, and Youth Contract making no provision for those aged 16 or 17. The phrase, 'fishing in different pools' was often used to summarise the position. There was more concern that Local Authority incentives, though these had not been systematically mapped across the country, might be competitive with AGE 16 to 24 and undermine AGE 16 to 24 take-up, and that employers might be confused by the varied schemes on offer to them. A need for integration and rationalisation was often recognised.

41. An early view of the response of training providers to AGE 16 to 24 was that it was varied between larger ones with a strong sales orientation which had taken up AGE 16 to 24 as a valuable sales tool and were promoting it strongly and smaller providers with specialist markets (say, in particular sectors) which used AGE 16 to 24 more sparingly – in some cases because their local sectors were 'saturated' in Apprenticeship terms and, thus, the proportion of employers who were ineligible because of the 'not in the last 3 years' criterion was high.

42. In terms of numbers of grants issued, in these summer 2012 interviews there was recognition that take-up was well below expectation. A number of reasons were advanced for this including: new programmes often get off to a slow start as market awareness and delivery expertise need time to develop; some providers were uncertain about the programme's longevity and consequently unwilling to commit to AGE 16 to 24's promotion; and employers were reluctant to recruit young people, even if incentivised, because of uncertain trading conditions.

43. It was believed, however, that, whilst it was expected that only around half of the 40,000 grants would be issued in the 2012-13 financial year, take-up would accelerate through the autumn Apprenticeship peak, particularly with eligibility relaxations; and there was continuing widespread support for the programme as a low-cost (per-Apprenticeship) contribution both to national skill needs and to combating the social and individual costs of youth unemployment.

Recent perspectives on AGE 16 to 24

Introduction

44. In the later round of interviews, in spring 2013, officials from NAS and the Skills Funding Agency had more experience of programme management, of programme effectiveness, and, particularly, were able to comment on the effects of changes in employer eligibility for AGE 16 to 24 and in payment arrangements.

Extension of eligibility to businesses with up to 1,000 employees

45. Some respondents saw this as a positive step which had widened the market for AGE 16 to 24. Particularly, the extension had allowed some public authorities (such as smaller Local Authorities) to access the grant. One respondent saw this as positive: AGE 16 to 24 awakening interest in a sector which had not traditionally offered many Apprenticeship places. Another respondent took the view that grants to the public sector did not have equivalent value in generating economic growth as those to business and, particularly, those to smaller businesses. Other respondents took the view that this eligibility change had made little difference to the overall balance of the programme and was the least significant of the changes. It was remarked that the extension had been the subject of negative publicity (for example, in The Times Educational Supplement) to the effect that the AGE 16 to 24 programme would be 'swamped' by large employers but this had not, in fact, occurred.

Increase in number of AGE 16 to 24-supported Apprenticeships from 3 to 10

46. There were similar views on this change. Respondents mainly saw the change as positive in principle but believed that it still remained rare for employers to take on more than one or two AGE 16 to 24 Apprentices. It was suggested that economic conditions militated against recruiting larger numbers of Apprentices, that employers who might want to do so often already have established Apprentice recruitment programmes and, hence, are not eligible, or that employers who would want larger numbers are large employers to whom grants of £1500 per Apprentice are not greatly significant.

Reduction in the 'not in the last 3 years' constraint to 'not in the last year'

47. This change was generally believed to have had the greatest impact of the various programme changes in accelerating programme growth. It was recognised as a sensible pragmatic change in difficult economic conditions and as less restrictive on the re-engagement of employers who had dropped out of Apprenticeship in the recession. It also made establishing eligibility easier. However, it was also suggested that the change would tend to increase deadweight in the programme as some providers manipulated the system – encouraging employers to delay Apprenticeships which they would have established anyway for a few weeks in order to qualify for grant support. It was also noted that this tactic occasionally led to complaints, as some employers who sought to 'work the system' and take on the Apprentice with exactly a 12 month lapse since their previous Apprentice recruitment got the timing wrong and were disqualified by a few days.

From a two-payment to a one-payment system

48. Officials believed that this change brought welcome simplification and made AGE 16 to 24 more attractive to employers. However, two issues were frequently noted.

49. The first was the theoretical problem of employers exploiting the situation and ending the Apprenticeship shortly after receiving the grant. It was suggested that this was quite rare, however, and that, in any case, it was practically impossible to separate genuine reasons for termination (such as Apprentice under-performance) from the exploitative one.

50. The second was that payment was, in actual fact, not at 13 weeks but at 13 weeks plus a period of some weeks for the administrative process to operate – resulting in numerous employer complaints. It was suggested that some providers were deliberately slow in passing on the grant but it was also suggested that the matter was largely one which could be resolved by accurate communication and information from the start in order to manage employer expectations. Some respondents suggested that communication had improved and the problem was now a lesser one.

Level of grant: £1500

51. As in the first round of interviews, government officials continued to recognise that any chosen level of grant needed to balance its effectiveness as an incentive against the need to avoid creating purely ‘money driven’ Apprenticeships. The broad consensus was that £1500 was ‘about right’: sufficient to cover Apprenticeship’s early costs to the employer, which was seen as particularly important for very small businesses, but not such as to constitute the employer’s only reason for taking on the young person.

52. There were, however, some alternative views:

- That, with the imperative of tackling youth unemployment following immediately after school or FE College, the programme could focus more strongly on 16-18 year olds, possibly with a higher level of grant for that age group.

- That, in one case, where a Local Authority ‘top-up’ to AGE 16 to 24 was available, Apprentice numbers had risen above trend and, therefore, a higher grant might increase young Apprentice numbers further (but other respondents suggested they had not seen this effect).

- That there was no apparent reason why the level of the AGE 16 to 24 grant could not be aligned with the level of the Department for Work and Pensions (DWP)’s Youth Contract wage subsidy for 18 to 24 year olds who had been unemployed for 6 months or more.

- That a higher grant might be made available in high cost areas such as London.

Targets for 16 to 18 year olds and ‘under 50 employees’ SME participation

53. In contrast to earlier uncertainty as to whether targets to achieve minimum 50 per cent representation at 16 to 18 year olds and small businesses[21] in the programme would be met, it was now widely recognised by officials that these targets had, in fact, been broadly achieved. This was universally welcomed as fulfilment of AGE 16 to 24’s objectives to address early-stage youth unemployment and to extend Apprenticeship into micro-businesses[22] and other quite small businesses. A number of reasons for successful recruitment of 16 to 18 year olds were advanced:

- Full funding of the training element of Apprenticeship for 16 to 18 year olds plus the grant forms a particularly attractive package.

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[21] Businesses with between 10 and 24 employees across all sites in the UK

[22] Businesses with less than 10 employees across all sites in the UK

- 16 to 18 year olds are more willing to accept the minimum Apprenticeship wage than older Apprentices and, thus, the grant covers more of their wage costs.

- Employers frequently wanted young school leavers who are ‘not over-educated for their trade’ and can be moulded into the business’ way of working.

- The wider ‘policy push’ in respect of 16 to 18 year olds has been communicated to providers who have responded.

54. Similarly, a number of reasons for the engagement of small businesses were identified:

- Simply, there are a lot of very small businesses ‘to go at’ and they are less likely to fall foul of the ‘not in the last three years/one year’ exclusion.

- £1500 is more significant to small firm than to large firm budgets.

- In very small businesses, a good Apprentice at low cost forms a significant part of the workforce and, therefore, delivers high value.

- NAS’s Small Business Team has done ‘a great job’ in promoting Apprenticeship and AGE 16 to 24 to this segment of the business population.

Interaction of AGE 16 to 24 with other funding schemes

55. In the first round of interviews (summer 2012), officials were mostly of the view that the DWP Youth Contract employment incentive and AGE 16 to 24 had sufficient differentiation in their target markets (of employers and young people) as not to be competitive. This view mainly continued to be held in the second round of interviews though one or two officials dissented, suggesting that there could be some confusion:

‘The employer can talk to someone from NAS one day and to someone from DWP the next – that’s where the confusion is.’

56. In respect of Local Authority incentive programmes running in parallel with AGE 16 to 24, it was suggested that these arrangements were becoming more cohesive. The main point was that the number of situations where a Local Authority offered its own employment/Apprenticeship support programme independently of AGE 16 to 24 and, thus, with potential for competition and confusion was declining in favour of arrangements where Local Authorities formally ‘topped up’ the AGE 16 to 24 grant, with acceptance of AGE 16 to 24 eligibility rules and payment terms. It was recognised that there were some difficulties with the latter arrangement. It was observed, for example, that some Authorities, which had received block funding to distribute a number of grants, were slow in meeting targets; and that Local Authorities had ‘boundary problems’ such that their ‘top-up’ could only be used where

the Apprentice lived in the Local Authority area, a constraint which did not apply to AGE 16 to 24 – hence, an employer might select an out-of-area candidate who could be supported by AGE 16 to 24 but could not then receive the added Local Authority supplement.

Provider responsiveness to AGE 16 to 24

57. As in the earlier round of interviews, officials continued to distinguish between groups of providers. Some, described as the ‘big engine rooms’ of Apprenticeship growth, had ‘integrated AGE 16 to 24 into their business processes’ and used it as part of a drive for both volume and quality of Apprenticeship opportunities. Others were ‘culturally different’ and used AGE 16 to 24, if at all, with lesser enthusiasm or, more cynically, just as an aid to ‘chasing up numbers’ (sometimes through contracted-out provision) without due regard to the underlying need to simultaneously generate good quality.

58. There was a sense of disappointment that provider response had not been more generally enthusiastic. It was suggested that the reason for this was that there was no direct financial reward for providers but there were significant administrative costs.

59. However, despite these downsides, it was believed that the provider network was now responding more positively, that communications between NAS and providers had improved, and it was suggested that two-thirds of providers had engaged with the AGE 16 to 24 programme.

60. An issue continues to be the occurrence of failed or disputed employer eligibility claims, sometimes because of data recording errors by providers or because of provider acceptance of employer eligibility before this has been formally established. As noted earlier, delays in payments to employers also continue to provoke complaints by employers. In some cases, it was asserted that the ‘delay’ is caused because employers have not been alerted to (or have not registered) the fact that payment usually does not occur immediately after Apprentices have been on programme for 13 weeks but requires a further period for the claim to be processes by the Skills Funding Agency. In other cases, it is suggested that further delay occurs because providers themselves are slow in passing on payments from the Skills Funding Agency to employers.

61. However, it was believed by officials that the scale of these difficulties had reduced and that there were better procedures for dealing with employer complaints in place:

‘Good processes are embedded now within the Skills Funding Agency. If there are any queries coming forward from employers, there are mechanisms in place to investigate these and manage any communications back to employers and providers. It is a complex process but it is being well-managed.’

Marketing of AGE 16 to 24

62. Officials recognised that marketing had been at two levels – involving a variety of advertising and promotion by NAS, either at national or regional level, and then sales and marketing by providers into their actual or prospective employer bases. It was suggested that the sheer volume of small businesses was a challenge to any reasonable NAS marketing budget but that NAS marketing had been reasonably successful in creating general awareness of AGE 16 to 24 on which intermediaries, such as Local Authorities, and providers could build. This approach was described as following a ‘cascade’ model which, given constrained central marketing budgets, has been successful.

Overview of the AGE 16 to 24 programme

63. Generally, AGE 16 to 24 was seen by its managing officials as a successful programme:

- As intended, it had brought new businesses, often micro-businesses, into Apprenticeship, and helped to limit youth unemployment.
- It had strengthened the ability of providers to market Apprenticeships for young people in difficult economic conditions when those Apprenticeships were reducing in numbers; and had freed up colleges’ capacity to take other young people into full-time courses.
- It had enabled cohesive partnerships to be built between NAS/Skills Funding Agency and other agencies such as Local Authorities, Local Economic Partnerships, and Sector Skills Councils (SSCs) which would have wider benefits in the future and which encourages partner investment in Apprenticeship via ‘top up’ arrangements.

64. Some issues with the programme were also recognised:

    - The challenge of maintaining a reasonable level of additionality and of avoiding any provider mis-selling of AGE 16 to 24 which reduces this.
    - Ensuring colleges continue to support AGE 16 to 24 given that their income from full-time students is greater than that from providing intermittent off-the-job training of Apprentices and has lower management costs.
    - Maintaining provider commitment given continuing uncertainty about the longevity of the AGE 16 to 24 programme.

- The need to maintain cost-effective management processes in NAS/Skills Funding Agency given the relatively resource-intensive procedures for checking employer eligibility.

65. For the future, it was believed that AGE 16 to 24's rationale remained sound: it fitted with wider government priorities in respect of Apprenticeship's centrality in post-16 skills policy and of reducing youth unemployment. As long as the rate of economic growth remains low, it was believed that this rationale will continue to justify employer incentivisation. Beyond that, it was suggested that AGE 16 to 24 had become 'part of the landscape' or had set a 'benchmark' – of employer and provider expectations – and that any exit strategy would need to be carefully designed and managed if the number of Apprenticeships for young people was not to decline.

The provider perspective

Introduction

66. This chapter provides a comparative analysis of three waves of interviews conducted with providers in summer 2012, winter 2012 and spring 2013. The waves of interviews comprised consultations with 14, 10, and 16 providers respectively – 40 providers in total. A sample frame was provided by the National Apprenticeship Service (NAS) for each wave which was stratified by region and by the number of grants distributed by providers.

67. The primary focus of the chapter is on the most recent wave of interviews but findings from the earlier waves are also taken into account with comparison between waves at various points.

Engaging with AGE 16 to 24

Finding out about the grant

68. The majority of respondents in the most recent interviews (Wave 3) reported that they first became aware of the AGE 16 to 24 grant through direct communications (emails, visits from reps, presentations) from the Skills Funding Agency or NAS. This was consistent with findings from Waves 1 and 2. Those operating as part of provider networks also mentioned these as a source of information.

69. Other sources were also mentioned. These included the Workplace Learning Forum; government announcements; the Learning and Skills Improvement Service (LSIS); and the Association of Employment and Learning Providers (AELP). Some providers also mentioned their previous engagement with the earlier grant incentive scheme (the AGE 16 to 24 pilot programme).

Initial views and expectations of the grant

70. Consistent with previous waves of interviews, respondents held mixed initial views of the grant. In previous waves, about half of the interviews had fairly positive expectations. Rather more than this reported their views as having been largely positive at this third stage.

71. In the third wave, providers with positive initial expectations viewed AGE 16 to 24 as:

- An incentive to help engage small businesses with Apprenticeships compensating for the risks a lengthy Apprenticeship can entail for a small business, particularly in the early stages when an Apprentice has yet to become fully productive:

‘Anything that helps small businesses engage with Apprenticeships is always useful…There are a lot of employers out there, who are very positive about taking on an Apprentice, but taking on an additional person whether they are a trainee or not is an additional headcount and this is a substantial risk to their business. It is easy for policymakers to say businesses should take on Apprentices but the fact that this was put in place as a means to engage smaller businesses, can have a massive impact on their business in a positive way.’ College, SW, Wave 3.

- As a way to create more vacancies, especially in sectors, such as construction, where there are limited opportunities.

72. Some negative impressions reported in the interview waves concerned:

- Employer eligibility criteria, which would severely limit entitlement (particularly Wave 1).
- Concern that employers would take on Apprentices simply to receive payment without making a proper commitment to their training (although in practice they saw limited evidence of this) (Waves 1, 2 and 3).
- The exclusion of existing employer contacts who have engaged with the programme over the years and who might have been encouraged to take on multiple Apprentices had the grant been available to support them (Waves 1 and 2).

73. The final wave of interviews (Wave 3) added the following negative initial views of the AGE 16 to 24:

- The additional work and administrative burden which the grant places on providers.
- The length of time it would take for employers to become aware of the grant in the context of a, respectively, short-term incentive, based on previous experience (of the AGE 16 to 24 pilot programme).

‘The previous grants have run out very quickly. It took a while for employers to become aware and by the time they did the money had run out.’ College, NW, Wave 3

Reasons for using the grant

74. In line with the findings from Waves 1 and 2, Wave 3 interviews found that providers’ reasons to use the grant centred upon using AGE 16 to 24 as a financial incentive to new employers, particularly SMEs, to engage in Apprenticeship.

75. Other reasons included its value in encouraging employers to engage with the government priority group of 16 to 18 year olds, and also in creating vacancies in sectors which had generated relatively few opportunities hitherto:

'The grant is a financial benefit for the employer and enables us to help employers that perhaps wouldn't otherwise be in a position to afford the Apprentice. This creates more jobs for young people and we deliver more Apprenticeships. The Skills Funding Agency were also pushing us to do it as a directly contracted provider.' College, SW, Wave 3

Number of AGE 16 to 24 grants distributed

76. Cumulatively, the number of AGE 16 to 24-assisted Apprenticeships secured by providers was, of course, highest in Wave 3 when the programme had been operating for around a year. One wave 3 provider (a College in the East of England) had distributed over 300 grants although this volume was unusual. This provider reported the initial three-to-four months were very slow but, now employers were more knowledgeable about the grant, momentum had built up.

77. The number of grants distributed was broadly in line with providers' expectations. However, there were some exceptions, such that:

'We have been involved with a number of incentives in the past, locally and nationally. We haven't been as overwhelmed as we thought we might have been. It has been hard to sell to employers. There is too much bureaucracy and employers are having to wait a considerable amount of time before they see any money and that is one of the biggest problems. Also we have had a number of iterations of the employer factsheet. This tells a story.' - Private provider, EE, Wave 3

'We have paid out 58 grants. This is higher than we expected as we are very cautious compared to the last time around. We had a lot of abuse of the system and data showed that the number of Apprentices taken on through the grants who had actually not achieved was high so this had a huge negative impact on our data so we are very wary that the employer takes on the Apprentice for the right reasons. But problem is that if we don't take them, someone else will.' – College, EM, Wave 3

78. In all three interview waves, providers stressed that they did not set targets for AGE 16 to 24 due to concern that Apprentices should be placed with employers who have the right motivations and not those who engaged in the Apprenticeship programme only to receive the AGE 16 to 24 payment.

AGE 16 to 24 administrative and payment processes

79. Overall, all three waves highlighted challenges associated with administering the AGE 16 to 24:

- In Wave 1, respondents suggested that improvements could be made to the administrative process. These typically concerned the infrequency of Skills Funding Agency statements to confirm payment of the grant to individual employers.

- It was reported both in Waves 1 and 3 that when payments come through from the Skills Funding Agency, they were not linked to a unique employer identifier so unless adequate tracking records were maintained internally the provider does not know which employer the money is for.

- In Waves 2 and 3, the majority of providers reported difficulties linked to the time lag between an employer taking on an Apprentice and the Skills Funding Agency confirming employer eligibility and then actually providing the funds.

- Managing employers' expectations about the timing of payment also continued to be challenging for some providers in Wave 2 and 3, despite their best efforts. Many reported that the employer chases the provider for the payment at 13 weeks, because this is noted on the documentation, although at this point, the Skills Funding Agency will not have released the funds.

- In Waves 2 and 3, providers were asked about employer satisfaction with the new 13 week qualifying-for-payment date. All respondents reported that employers were content to receive one payment. However, an issue remains in that employer expectations with respect to this date are not always well-managed: some employers are not alerted to the fact that actual payment allowing for administrative processes is usually some weeks after the 13 week point. A Wave 3 provider noted:

'An employer is looking at the money element of it, they're expecting that money at 13 weeks but they've sent their invoice to us and they're waiting for it and it's not come through. So it's a bit of a nightmare to be honest and it causes extra stress for the finance department.' - Private provider, WM, Wave 3

- In Wave 3 some providers reported that the change in the payment terms from two stages to one, had made the administration of AGE 16 to 24 easier, particularly for smaller providers:

'Initially the paperwork was horrendous. The payment terms changed half way through from £750 to full payment upfront. I understand why they did this as it's far easier for us to pay all the money upfront because we were supposed to keep the final £750 until they completed. This would have been a nightmare because it would go from one financial year into another.' – College, EM, Wave 3

'Changing to one payment at 13 weeks is far easier to manage, we would have struggled to administer the two-staged payments in any volume, as we don't have the administrative resource for that.' – Private provider, SW, Wave 3

- In Waves 1 and 3 providers noted that the ‘deadweight’ eligibility criterion[23] had caused administrative problems since they can only check previous Apprenticeships against their own ILR records and not those of other providers. If an employer has been the client of another provider and does not declare it, is not aware of prior Apprenticeships, ownership of the business has changed, the size of the business has changed, or the employer has not known that an employee is on an Apprenticeship, there is no mechanism for providers to identify this.

‘A fundamental flaw..., is the fact that we have no means of checking the eligibility of the employer until the Apprentice has been enrolled and we have submitted an ILR. This is not great as in good faith, an employer may have multiple sites, they may still be an SME and therefore be eligible and to the best of their knowledge the organisation hasn’t taken on an Apprentice within the timeframe, so they enter into AGE 16 to 24 and take on an Apprentice assuming they will get the grant, but Skills Funding Agency bounce it because someone in the organisation has taken on an Apprentice and we end up with some very disappointed and irritated customers because we were not able to tell them this up front, but we have no way of checking this either. Generally speaking it is a really good incentive and a real help to small businesses but the means of administering it has not been brilliant.’ – College, SW, Wave 3

Changes to AGE 16 to 24 eligibility

80. In Waves 2 and 3 providers were asked about changes to the AGE 16 to 24 eligibility criteria. Providers were asked if any of these changes had made a difference to the take-up of AGE 16 to 24 by employers and to the ability of providers to market the grant. Interviews also explored which of the changes, if any, have had the greatest impact.

81. The majority of respondents reported that the reduction in the time since the employer last took on an Apprentice has had the biggest impact in increasing the take-up. However, there were indications that employers and some providers had realised that grants could be claimed if they delayed recruitment by one month following the completion of a previous Apprenticeship. Balancing that, it has meant that providers can offer the grant to employers in their networks who might recruit Apprentices on a two-year cycle rather than an annual cycle:

‘The best of the changes was the reduction in time to 12 months- so the employer can get continuous claims in if they work it right.’- Gov, NE, Wave 3

‘I think it was the reduction of Apprentices from three years to one year which was the biggest impact for us. It’s made things a bit easier and we’ve also been able to approach people we might have had relationships with in the past who wouldn't have been eligible, who are now eligible and actually it’s had a positive impact on them.’- Private provider, WM, Wave 3

[23] That an employer should not have employed an Apprentice for a defined period previous to their AGE application – which was originally three years but reduced in Autumn 2012 to 12 months

'I think the most beneficial was the year from three to one: that's definitely the most beneficial because it has put more employers in the pot.'- College, EE

82. The criterion related to the size of organisation (increased from less than 250 to less than 1,000 employees) was deemed not to have had much an impact due to providers' focus on smaller organisations:

'The size change has not really made a difference – those bigger than 250 are already involved and committed. It is good to be able to extend it to these employers but the impact has been minimal.' – Public Sector Provider, EM, Wave 3

83. Providers also reported that there are very few employers who can accommodate 10 Apprentices, because the size of the business or the sectors in which the provider delivered Apprenticeships. Typically, businesses were reported to take on only one or two Apprentices. In Wave 3, the highest number of Apprentices placed with any one employer was four and '*that's unusual*'. There is a further issue in that some providers have misunderstood the extension from 3 to 10 AGE 16 to 24 Apprentices in that they have evidently not registered the fact that the up-to-10 AGE 16 to 24 Apprentices do not have to be simultaneously recruited:

'We've not had any higher volume than three at one time so the change from three to 10 hasn't impacted us because we haven't had an employer come through who has said they wanted 10 at one go.' Private provider, WM, Wave 3

84. One provider commented negatively on this change:

'We hear lots of horror stories…for example, a large pub restaurant who took on 10 new hospitality Apprentices to get the maximum grant and the premises does not need 10 new staff, but after 14 weeks and having got them through the 13 week point they let a load of them go, because they have got the £15,000 but they won't have shelled out this amount of money for them.' – Private provider, EE

Engaging employers

85. There were no differences across the three waves of research in providers' marketing approaches. All used a range of approaches including: e-marketing and mail shots; cold calls; client referrals; leads provided by NAS or assessors; events and open days; and newspaper advertisements. Some interested employers were reported to have approached providers, and, following the eligibility changes, providers have also approached their existing employer networks in order to gain repeat business.

86. The approaches reported by providers in Wave 3 showed greater variation than those in earlier waves. Some targeted employers whom they expected to be eligible for AGE 16 to 24, while others conducted blanket marketing. One of these stated:

'The AGE 16 to 24 grant isn't something which is promoted separately, it's just one aspect that is relevant. We don't differentiate according to AGE 16 to 24 and employers because if you begin to make promises to people when you don't know whether something is available to them you end up with very disappointed people.' - College, SW, Wave 3

87. There was divided opinion about the ease of finding employers for AGE 16 to 24 Apprenticeships but the most frequent providers' opinion was that it is not easy to find employers for any sort of Apprenticeship, either or without the grant.

88. The majority of employers reported as engaging with the AGE 16 to 24 were SMEs with fewer than 50 employees. Various reasons for this were put forward:

- Larger employers have tendered contracts for recruitment which smaller providers do not bid for; therefore, these smaller providers target the smallest organisations.
- Apprentices benefit most from engagement with smaller employers.
- Training providers work closely with small employers and offer to conduct a lot of the delivery in the workplace on behalf of the employer.
- The smallest employers learn from contacts who have had a successful Apprenticeship experience so approach the provider.
- The AGE 16 to 24 grant is less attractive to larger employers who '*engage with Apprenticeships for the benefit of the Apprentice'* not for the money.
- It is small units or start-ups for which £1,500 is a significant sum and contributes most substantially to cash flow.
- The provider's local market is dominated by SMEs.
- Smaller employers cannot afford to hire a graduate who would command a higher salary and therefore are more interested in Apprentices than larger companies which can afford to hire graduates.
- Larger organisations often have agreements with large providers that then source candidates for all of their locations, a service which small providers cannot offer.

89. Providers across all waves reported that AGE 16 to 24-assisted employers are in a range of sectors (although growth in the 'business and administration' market was also noted) and did not report any difference in the sectors attracted by AGE 16 to 24 Apprenticeships compared with non-grant assisted Apprenticeships.

90. The number of Apprentices who are recruited varies between employers as does the timing of the Apprenticeship recruitment. For example, some employers may take on multiple Apprentices at the same time, whilst others will start with one Apprentice to judge how it works out and then, if it is deemed a success, will recruit others. Some providers described how they focused their marketing on taking on only one Apprentice due to concerns that small employers did not have the supervision or management procedures in place to adequately employ and train multiple Apprentices. Larger businesses and those in the construction sector typically take on more than one Apprentice.

91. Some Wave 3 interviewees stressed the risks associated with taking on an Apprentice, which makes employers cautious about taking on more than one Apprentice initially. It was suggested, however, that these employers could be disadvantaged by the eligibility rules if they subsequently became convinced that having more Apprenticeships in the business would be viable. On this point, as noted earlier, there is a misunderstanding in that some providers have not registered the fact that taking on more AGE 16 to 24 Apprentices (up to the limit of 10) after earlier ones have been recruited, is not a breach of eligibility and AGE 16 to 24 support is still available for the additional Apprentices. However, other providers in Wave 3 suggested that new start-up businesses were more likely to take on more than one Apprentice as a way to staff the business:

'If it's a new SME they are inclined to take on more than one Apprentice as this hiring is a way to get the business off the ground…but my concern is when it's a new business, you don't know if it will survive and this will jeopardise the young person's qualification and training. It's a risk.' - Private provider, Y& H, Wave 3

92. Across all three Waves, providers generally reported that AGE 16 to 24-assisted employers are managed in the same way as employers without a grant and do not require any special management/support, beyond help with the required administration. However, some providers reported that AGE 16 to 24-assisted employers, who were new to Apprenticeships required more time investment in initial support. By Wave 3, providers were highlighting an increased need to manage the expectations of the AGE 16 to 24 employers particularly when payment is not made at the 13 week point.

Impact of the grant

93. Provider views on the impact of the AGE 16 to 24 varied within and across the research waves. In Wave 1, almost all providers thought that the grant had an impact in encouraging the employer to take on an Apprentice. In Wave 2, about half of the respondents thought that the grant had a significant impact in encouraging employers to take on an Apprentice, and half of respondents thought the grant had a minimal impact. In Wave 3, providers were also torn between these extremes, with providers reporting engagement with some employers who would not offer Apprenticeships without the grant, but also signing up employers who were not particularly interested in the grant. These different views are illustrated below.

High impact

94. For example, two providers in Wave 3 reported that the grant had a significant impact because it removes the financial barriers to taking on an Apprentice and thereby reduces the risks:

'AGE 16 to 24 is playing a strong role as the tipping point to the decision to get involved, it reduces the risk and makes the decision easier.'- Public Sector Provider, NE, Wave 3

'It helps them put more support in place at the outset and can help with resources – kit and set-up – so it can erode those barriers. It helps to cover the initial investment in mentoring and supporting young people in the workplace before they become productive. It can intensify that element of support which, of course, pays dividends. In all, it can help ensure that the younger age groups are considered for vacancies.'- Public Sector Provider, EM, Wave 3

Low impact

95. Other providers in Wave 3 suggested that the grant did not significantly impact some employers' decisions and believed that in the absence of AGE 16 to 24 the employer would still have recruited the Apprentice:

'For some, AGE 16 to 24 has been a carrot but I don't think it's turned on the number of employers that NAS thought it would. It has had some impact but the work that our team were doing before the grant was having as good an impact as well. The grant is an extra, it's a bonus but it hasn't really swayed employers. I think they would have taken on anyway and we don't really want the others.'- Private provider, EE, Wave 3

'The employers are very mixed. Some will take on an Apprentice only if they get it, some are not bothered and some reject it, they want the Apprentice and are not interested in the money, it's not a deciding factor for them – they're not even interested in filling in the form. It does develop a sense of entitlement though once they know about it. It's a door opener but other factors come into play.' - College, NW, Wave 3

Level of the grant

96. Across all waves, providers were asked whether, if the grant had been lower, at, say, £750, it would be less effective in encouraging employers to take on an Apprentice. Views were mixed. Where providers thought it would be less effective (about half of providers in Waves 1 and 2 but fewer of the Wave 3 providers), the reasons for this were:

- The current level represents a good subsidy and makes a weightier contribution to salary cost than half the amount (Wave 1, 2 and 3).
- £750 would be insufficient to encourage employers to take on an Apprentice; £1,000 was considered a minimum threshold to maintain current levels of employer interest (Wave 1).
- Recruitment of an Apprentice aged 19 to 24 years requires an employer contribution and £1,500 helps a lot more towards this than £750 (Wave 1).
- A particularly negative effect would result if the grant was reduced to £750 now; this would have had less impact if the grant was initially set at the lower level (Wave 1 and 3).
- Small employers are concerned with the costs associated with having an Apprentice: providing tools; wages; fuel; office space; and the wastage of materials. A sum of £750 would contribute far less to covering these costs (Wave 2).
- The current level of funding reduces the risk of employing a young Apprentice since, to SMEs, £1,500 is a significant sum (Wave 2).

97. Providers who thought that employers would still be attracted by AGE 16 to 24 funding at around half its current level, suggested the following reasons:

- £750 would still be seen as extra contribution for employers willing to take on an Apprentice (Wave 1 and 3).
- It would still meet the cost of a probationary period for an Apprentice (Wave 1).
- It would still serve as a financial incentive to employers to take on an Apprentice (Wave 2).
- Some providers argued along the lines of '*something is better than nothing*' (Wave 2).

98. In all three waves, providers were asked if they would consider it much easier to recruit employers if the payment had been set higher at £2,500. Most agreed it would be. However, a couple of providers who thought the higher payment would not make employer recruitment easier explained that an employer is either looking for an Apprentice or not and whether money is available or not did not impact the decision. In addition, these employers would still have the same business concerns about taking on an Apprentice no matter what the payment level was.

Apprentices

99. Across the three waves, providers most commonly advertised their Apprenticeship vacancies through the Apprenticeship vacancies (Av) site. The recruitment process for AGE 16 to 24 Apprenticeships did not vary from that used for other Apprenticeships. Typically, providers pre-screen applicants, before drawing up a shortlist for employer interviews. Providers in Waves 2 and 3 also highlighted the use of social media (FaceBook and Twitter) to source young people.

100. In all waves, about half of providers reported that the proportion of AGE 16 to 24 Apprentices aged 16 to 18 was greater than of those aged between 19 and 24 years. A commercial reason lay beneath this in some cases, since the full training subsidy is available for 16-to-18 year olds whereas employers are expected to contribute to the training costs of 19 to 24 years olds. In contrast, in Waves 1 and 2, some providers explained that a higher proportion of their AGE 16 to 24 Apprentices was in the 16-18 age bracket because of the school leaving date and relative start dates of the AGE 16 to 24 programme. Where the age balance was in favour of 19 to 24 year olds, the reasons for this were:

- The industry/sector prefers older Apprentices (19 years plus) due to the maturity level required to operate machinery (Wave 1).
- There is a legal requirement for employees to be 18 years or older to work in some industries (Wave 1 and 3).
- Larger numbers of 16-to-18 year olds are choosing to remain in education (Wave 1).
- A flexible support grant paid by a Local Authority in addition to AGE 16 to 24 incentivises employers to recruit the older age group since it overcomes the training element which employers pay (Wave 3).
- Not having a driving licence can deter 16 to 18 year olds from applying for vacancies that require a long and costly commute. It also excludes them from some vacancies where driving is a requirement (Wave 3).

101. One provider in Wave 3 also wondered how 24+ Advanced Learning Loans, which will shortly be introduced and will affect those aged 23 and over, will interact with AGE 16 to 24:

‘From 1 August, the funding for 24 year olds stops and they have to pay for it themselves….it’s kind of crazy that you’re paying an employer £1,500 but the learner will have to pay for their own course…and yet they’ll still be eligible under these current rules. I don’t know if they’re going to change the rules to 23 from 1 August... but there’s no indication yet that that’s happening.’- College, EE

102. Providers across the three waves stated that there is no difference between the characteristics of AGE 16 to 24 Apprentices and Apprentices not supported by the AGE 16 to 24. Providers in Waves 1 and 3 generally reported persistent gender stereotypical divisions in the type of AGE 16 to 24 Apprenticeships young people enter, but these reflected the divisions seen in the Apprenticeship programme overall.

103. The qualification and motivation levels of Apprentices differ, but not by whether the Apprentice is AGE 16 to 24-assisted. The most recent wave showed some level of disagreement between providers on whether Apprentices were NEET[24] before starting their Apprenticeship. Some reported that they were not and others said they were. However, one provider highlighted a flaw in data capture:

‘The ILR asks the learner “what was your status the day before you signed up?” and the chances are they were working in the firm for a week or two, so they say “employed”. The question should be “what were you doing before this period of employment?”, so the NAS figures are skewed because of how the question is phrased.’ – Private provider, EE.

104. Providers in all waves also thought that Apprentices themselves were satisfied with grant-assisted Apprenticeships but it was highlighted that the Apprentice would not know that their employer was receiving the grant.

105. Drop-out rates in all Waves were reported to be relatively low and reflective of personal and economic situations outside the provider’s control – such as young people changing their mind about their career choice or businesses struggling in the current economic crisis. Providers anticipated that completion/achievement rates for AGE 16 to 24 Apprenticeships would not vary from those for unassisted Apprenticeships.

[24] Not in Education, Employment or Training

Some specific findings in Wave 3

106. In the most recent wave of interviews, providers were able to report views which reflect on the most up-to-date status of the AGE 16 to 24 programme. These are considered below.

Lifespan of the AGE 16 to 24 programme

107. Most providers were conscious of the lifespan of the AGE 16 to 24 programme (stating an end date of December 2013), although a small number of the providers thought there had been mixed messages around this and questioned whether the grant might be available into March/April 2014 or even August 2014.

108. None were able to specify a last date on which they would offer AGE 16 to 24 grants to employers but reported that they would continue to market the grant to employers until the end date. Most providers could not provide an estimate for the number of grants they would distribute between now and the end of 2013. A common reason for providers not being able to offer an estimate was that their experience was too variable and depended on the eligibility of the employers they contact in the coming months.

109. Most providers stated that they expected the Skills Funding Agency would alert them to the last date on which they could offer the grant, based on the availability of the remaining budget (there were some fears, based on experiences of the AGE 16 to 24 pilot programme, that funding would run out before the planned programme end date). A couple of providers reported that they expect to be given a cut-off date for reporting AGE 16 to 24 eligible employers to NAS and stated that their sales team will then advise employers of the closure of the programme:

'It is always good if we know this date in advance as we can do a marketing campaign to say to employers it's their last chance to get the AGE 16 to 24 grant. This might give it a boost in October or November, if this is going to be the last date of registration; we might see a surge at the end of the programme.' - Private provider in EE.

Improvement of administrative and payment processes

110. Providers were asked whether the administrative and payment processes had improved since the initial stages of AGE 16 to 24. Most continued to report these processes as a problematic element of the programme and many could not identify any improvements that have occurred. Some providers held the view that the changed payment point (to 13 weeks) had caused administration to become more complicated for grants already in the pipeline.

'When it was decided to change the timing of the payment, it caused a lot of problems with the SMEs who were expecting their payment after eight weeks. They had to wait to get their payment and this caused disgruntlement.'- Private provider Y&H

‘The changes have caused problems as an employer could easily get rid of a learner after 13 weeks and keep the money.’ – College, EM

111. Some providers also mentioned how time-consuming the payment process remained:

‘About once a month, the recruitment person, quality person, and our accounts person will have to give up half a day each to sit down and try and work out who the latest amount of money needs to be paid to. When you receive the money you cannot relate this to a particular learner or employer. We keep our own records but it is just a nightmare.’ – Private provider, EE

‘It’s a lot of work for a college to actually put in the resources to make this happen [reconciling Skills Funding Agency payments to employers]. And then we have to send out the cheques and we have to do all that side of it, so it’s a time consuming process for us, we actually lose money on it.’ – College, EE

112. Many providers expressed discontent with the requirement, for them rather than NAS, to lead on administration of the programme for no extra resource. Part of their discontent stemmed from the lack of prior checks they can run to assess employer eligibility and then being ‘on the front-line’ when applications were rejected. However, the general administrative burden on their organisation was also a concern:

‘Providers are being asked to do the administration for a NAS project. It is a nightmare to manage and providers are the ones on the front-line having to deliver the bad news. They get the grief, they are the messengers and they get the flack from employers.’ – Private provider, EE

‘I don’t understand why the Skills Funding Agency can’t use a direct route to pay the employer. We seem to have more and more to do with every qualification we are involved with and I think there must be easier processes rather than putting all the strain on the providers and colleges.’ Private provider, NW

113. Where providers did mention improvements in the AGE 16 to 24 administrative and payment processes, these were linked to improvement in the receipt of the reports and remittance advice and of payments into the bank, which made it easier to identify which employers should be paid.

Checking eligibility

114. All providers stated that checking employers' eligibility, before they recruit the Apprentice remained problematic. At the point of contact they can only rely on the employer's declaration and their own ILR records and checks. Ultimately, they have to wait for the Skills Funding Agency response to their submission to know for certain if an employer is eligible. It was noted that it can be very difficult for larger, and/or multi-site, employers to know whether they have had an Apprentice in the past 12 months. Numerous providers also said that employers may have used a different training provider in the past 12 months which has registered an employee as an Apprentice but not communicated this to the employer.

115. Many providers continued to highlight the delay between an employer committing to taking on an Apprentice and receiving confirmation that they are eligible for the grant. A few providers thought it was problematic that an employer would have to take the Apprentice on before the Skills Funding Agency eligibility process could be triggered (since it is based on the learner ILR):

'If we sign someone up on the first day of the month, we won't have to submit this learner's record until the 4th or 5th day of the next month, so that can be 4 or 5 weeks. It's then usually towards the end of that month that you get the report that says they are not eligible so it could be 8 to 9 weeks from them committing to take on an Apprentice and starting them in employment before they find out that they can't get the grant.' – Private provider, EE.

116. As a consequence of these difficulties, the changes providers had made to eligibility checks included change to the way they handle information about AGE 16 to 24 processes with employers in order to manage their expectations, particularly around the time it takes for employers' applications to be processed and to then receive the payment. They also pointed out that NAS's employer information sheet is unsupportive of these efforts since it sets out that payment will be made at 13 weeks, rather than eligibility being validated at that point. Providers also reported that they now stress to employers that there is no guarantee that their eligibility will be confirmed by the Skills Funding Agency.

117. In cases where employers have been found to be ineligible, providers typically try to find out the reason for the rejection from the Skills Funding Agency. A number of providers noted the barriers to this due to the automated procedures involved and data protection regulations which mean that the Skills Funding Agency Data Service cannot supply further details. Some providers suggested that it is particularly difficult when they have to go back to the employer to explain a rejection without the relevant information, especially when the Apprentice has already been employed and has started on their programme.

'We've had 22 rejections and all have been because the employer has taken on an Apprentice in the past 12 months. A local employer was adamant he had not taken on an Apprentice in his workforce of five and in the end I paid him the money because he was absolutely sure. I went back to the Data Service, but trying to get information from them is very hard and they say he has had an Apprentice, but they can't tell you anything more. The employer then wants to know who, but I can't tell him as I don't know. I have one employer at the moment who I know will terminate their learner's contract because the grant has just been rejected.' – College, EM.

118. A concern was also expressed by a small number of providers about the impact of rejections on their 'quality' standing with the Skills Funding Agency or NAS.

119. In order to inform employers about the Skills Funding Agency procedure for checking eligibility, providers were typically alerting employers to the Employer Data Service (EDS) record which is used to determine the employer's size eligibility. A couple of providers noted the occasional discrepancies between the employer and the EDS record which can cause an employer to be wrongfully rejected:

'The local pub was rejected and I went backwards and forwards to Skills Funding Agency as the employer is an independent public house; they have a contract with the brewery but they employ their own staff but the EDS number lists it as a (specific company name) pub, so therefore they are not eligible. I had to fight this case for six months and in the end we had to put the individual landlord's name down and we managed to get this through. I'm having to fight for an awful lot and I can't get the answers that I want from the Skills Funding Agency. It has been very frustrating.' – College, EM

120. Where providers have had to ask for clarification regarding eligibility, they had contacted the Skills Funding Agency in the first instance. Only one provider recognised that the AGE 16 to 24 Payment FAQ that accompanies the data sheet offers guidance from the Skills Funding Agency about what to do in cases where the employer is rejected. The majority of other providers reported they had not received any guidance from the Skills Funding Agency or other bodies about what to do in these cases.

Change to payment terms

121. The latest responses to the changed payment terms varied. Some providers thought the changes had had no impact on employers' willingness to take on AGE 16 to 24 Apprentices because the payment terms were a detail of which employers only became aware once they were fully engaged with the process.

122. Other providers thought that it was the delay in payment beyond the 13 week point which makes employers less willing to take on more Apprentices as '*employers expect the payment in their account at 13 weeks and one day*'. A couple of providers thought the move to 13 weeks had made the administration of the grant easier for them but also for employers:

'It's definitely making things much easier …it's hard for the financial department to go between the two budgets. With it being the two payments, it would have been a nightmare if it had stayed that way and I think it probably would have put quite a few people off, providers and employers, because you can imagine, it's frustrating having to administer that twice.' – Private provider, WM

123. All providers now attempt to set employers' expectations appropriately based on the actual payment of the grant beyond the 13 week point, with providers commonly setting payment expectations at around 17 to 26 weeks. The majority of the providers reported that employers understood that the payment would be made later than the 13 week point from the outset, but in some cases providers have strengthened this message to employers in order to avoid disappointment.

'They are told that its 13 weeks in the employer factsheets, but it's not 13 weeks until they will be paid, so we have to manage this and we give them a really long lead time so that they are not disappointed.' – College, SW

124. A couple of the providers highlighted the difference between 13 weeks in employment and 13 weeks in learning (the latter is the trigger point for the payment), which can also mislead employers:

'We tell them that its 13 weeks in learning, and this isn't the same as 13 weeks in employment. We have to do a sell on it on behalf of NAS to say that what the factsheet says about having to employ them for 13 weeks isn't quite what it says on the tin. My frontline team say that providing they meet all the eligibility and timescale criteria, they'll get their money eventually, but it can take a while to come through.' – Private provider, EE

'Understanding of the 13 week validation point, not payment point has caused some issues, especially for the SMEs who factor it into their cash flow at that point because it is on the marketing material. The first point at which a person could physically get the money is a lesson to learn and to include on the marketing material and would be more helpful in setting expectations. Employers don't understand the steps in the process. And then they're on the phone hassling us and this can damage the best of relationships.' – College, NW

125. The delay in the payment beyond the 13 week point was also thought by a small number of providers to be particularly problematic for the smaller employers at whom the AGE 16 to 24 is targeted who cannot readily absorb the payment delay. Some providers also drew a comparison between AGE 16 to 24 and the wage incentive through the Youth Contract which offers a higher and earlier payment to employers. Some local grants were reported to be paid on a monthly basis from the beginning, which can be more attractive to employers.

126. Instances of providers paying out the grant to employers before receiving confirmation from the Skills Funding Agency were minimal in this last wave, with only three providers reporting having done so and, in each case, to a very small number of employers where such employers were reported as ineligible by the Skills Funding Agency, the providers were either in the process of trying to reclaim the money or had decided '*to take the hit for the sake of the Apprentice'*. However, most providers in Wave 3 reported that it did not make business sense to pay an employer ahead of receiving funds from the Skills Funding Agency and would only do so now where the employer had already been confirmed as eligible but payment had been unusually delayed.

127. In the majority of cases, providers report that they are passing on the £1,500 payment, once they have received it from the Skills Funding Agency, to the employer within five to 10 working days. Smaller providers tended to make payments more rapidly than larger ones, where administrative processes were more elaborate.

Overall views of the grant assistance approach

128. Almost all providers, throughout the research, believed that AGE 16 to 24 was, overall, a valuable programme. Across the three waves, the strengths of a grant assistance approach were its value simply as additional financial support to Apprenticeship growth and its more particular value in converting employer interest in Apprenticeship into actual engagement. Perceived weaknesses concerned: the limiting eligibility criteria and imperfect administration process; delayed grant payments; concerns about engaging employers who are only interested in the money, but, conversely, the potential for deadweight from funding employers who would have engaged without the financial support. Such strengths and weaknesses are exemplified by the provider comments set out in Table 8:

Table 8: Strengths and weaknesses of grant assistance according to providers in Wave 3

Strengths	Weaknesses
'The funding support made available to employers' – College, SW	'We find out too late about whether organisations are eligible. The execution from an administrative perspective could be improved' - College, SW
'As an employer you're in a win-win situation….you've got someone who you're not necessarily paying full wage for, getting free training, plus you're getting money for doing it. You can't lose as an employer if you've made that commitment' – Private, WM	'Would have got these employers without the AGE 16-24 anyway. I don't believe it is the right approach because of this deadweight' – College, EM
'The incentive has been valuable and has helped young people.' – College, EM	'In the face of 1 million young unemployed, does the incentive so enough?' – College, EM
'A lot of our businesses are micro and taking on one Apprentice is a huge commitment. It doubles their workforce, so the money helps.' – College, NW	'It has reduced opportunities for 16 to 18 year olds, so it has less impact on NEETs' – LA, NE
'It allows them to keep the Apprenticeship going in difficult times and makes a big difference to the employer making the decision.' – Private, NW	'We've had employers that abuse the grant. They use the grant for buying a new piece of equipment, which isn't what it's for. It's a lot of money, last month we gave out £28k of public funding to employers and it has to be used in the right way.' – Private, Y&H

Changes/measures to improve the grant programme

129. Areas for improvement to the programme suggested by providers in waves 1 and/or 2 included:

- Better payment administration and Skills Funding Agency responsiveness in respect of the eligibility of employers and timeliness of the payments.

- Greater consistency and clarity of communications between providers and the Skills Funding Agency on these matters.

- Clearer guidance for:
  - Employers – to guide on eligibility and to manage employer expectations
  - Providers – on management of cases where an employer wants to expand the number of Apprentices after a first AGE 16 to 24 Apprentice has been recruited.
- Further opening up of eligibility criteria, and
- National promotion or marketing of AGE 16 to 24 to increase public awareness.

130. In addition to these points, the latest wave of interviewees made further suggestions:

- Clearer communication to employers on the receipt of payment being beyond the 13 weeks and improved communication around changes to the programme.
- Movement to a tax break for employers for the duration of the Apprenticeship in order to encourage employers to retain their Apprentice and reduce the occurrence of employers receiving payment at 13 weeks and then letting the Apprentice go.
- Direct payment of eligible employers by the Skills Funding Agency, cutting out the provider *'middle man'* and periodic payments to the employer rather than one lump sum.
- Any changes should be made at the start of an academic year, not mid-way through to make it easier for providers to keep on top of delivery.
- Advice on how much of the AGE 16 to 24 budget is still available to be distributed to employers to avoid marketing an unobtainable grant, particularly towards the end of the lifespan of the programme.
- Detailed information directed to employers on their obligations towards the Apprentice, including remuneration and terms and conditions of the placement with follow-up by the Skills Funding Agency or NAS to reinforce these messages.
- Redirected funding towards:
  - Committed employers who regularly take on Apprentices, to reward this behaviour.
  - Providers delivering the programme on behalf of NAS, and
  - Apprentices rather than employers, through an increase to the baseline Apprenticeship national minimum wage.

The view of NAS's Strategic Partners

Introduction

131. The National Apprenticeship Service's (NAS's) Strategic Partners comprise a range of intermediary organisations, including Local Authorities, Local Economic Partnerships (LEP), and Sector Skills Councils (SSCs), which have an intermediary position in respect of AGE 16 to 24. The organisations are involved, from their various positions, in promoting AGE 16 to 24 to providers or employers using a variety of direct communications and events and networks to do so.

132. Latterly, some Partners have become more deeply involved in the programme. Three organisations have devolved funding from the Skills Funding Agency to deliver, under contract, specified numbers of AGE 16 to 24 grants direct to employers with the same eligibility and payment criteria as with standard AGE 16 to 24 terms. Thirteen organisations mainly Local Authorities, have 'ring fence' arrangements which guarantee that a specified number of AGE 16 to 24 grants, though managed and claimed through the normal provider routes, will be available in their jurisdictions.

133. Small samples of Strategic Partners took part in depth interviews as part of the evaluation, nine cases in summer 2012 and seven cases in spring 2013. The samples included City Deal partnerships, organisations representing colleges and private training providers, a National Skills Academy, a local branch of the Federation of Small Businesses, and SSCs.

Early perceptions of the AGE 16 to 24 programme

134. In the first round of interviews, in summer 2012, AGE 16 to 24 was newly-established and the original conditions applying to eligibility of employers were in place.

135. At this time, in the City Deal cases, it was reported that there was some difficulty in integrating AGE 16 to 24 with local schemes incentivising employers to recruit young people into jobs and/or Apprenticeships, particularly where AGE 16 to 24 had a lower level of grant than local schemes and different eligibility criteria.

136. One organisation reported that it was disappointed that it had not been permitted by NAS/Skills Funding Agency to become a 'provider' distributing grants directly to employers, an arrangement which they thought would have been more efficient than their simply acting as a channel of communication and referral.

137. There was a widespread belief amongst these Partners that AGE 16 to 24's objective to secure at least half of AGE 16 to 24 Apprenticeships for 16 to 18 year olds represented a significant challenge. Similarly, difficulties were also believed to apply in the AGE 16 to 24 programme's objective to distribute at last half of AGE 16 to 24 grants to smaller SMEs[25] employing 50 or fewer staff.

138. There was quite a strong rejection of the necessity for AGE 16 to 24-supported employers to never, or not in the last 3 years, have taken on Apprentices. It was widely believed, particularly in difficult economic conditions, to be too restrictive and to be to the detriment of both AGE 16 to 24's target volume of supported Apprenticeships and to business and economic needs.

139. As with other groups of stakeholders, Strategic Partners had mixed views on the level of the grant being set at £1,500. Some thought it reasonable and did not want to see employers enticed into Apprenticeship solely for the money. Others thought it was simply too weak an incentive to make much difference to employer behaviour. As with other stakeholders, Partners also tended to see a 2-stage payment as bureaucratic, as a reduction of AGE 16 to 24's power to incentivise, and, where local incentive schemes were in operation, as a barrier where payment points did not coincide.

140. Generally, Strategic Partners were happy with their relationships with NAS/the Skills Funding Agency even in cases where national 'rules' prevent NAS/the Skills Funding Agency from adjusting AGE 16 to 24 delivery to a mode they would have preferred. All Partners hoped to continue to work with NAS/Skills Funding Agency to promote AGE 16 to 24 but made various suggestions as to, in their view, beneficial changes, these including:

- Stronger national marketing.
- Fewer, larger grants and relaxation of eligibility rules.
- Rationalisation and co-ordination of incentives (including better co-ordination with the DWP's Youth Contract incentive to employers to recruit unemployed young people into jobs).

[25] SMEs are small and medium-sized businesses with less than 250 employees across all sites in the UK.

Recent perceptions of the AGE 16 to 24 programme

The age-specific focus of AGE 16 to 24

141. In the second round of interviews with Strategic Partners, there was general and continued consent that the focus of the age on 16 to 24 year olds, and the more particular target to ensure that at least half of AGE 16 to 24 Apprentices were in the 16 to 18 age group were both appropriate – current unemployment levels in these age groups justifying policies aimed at reducing the scale of the problem.

142. Several Local Authorities reported that they also had priorities to assist 16 to 24 years and/or more specific priorities to 16 to 18 year olds, and, thus, that national and local priorities fitted well together.

143. One sector organisation suggested that the sector concerned had traditionally recruited graduates as their basic trainee intake but that the sector wished to move to a position in which Apprenticeship was a more frequent mode of entry to the sector – ‘hands on’ training for younger recruits being seen as a more effective preparation for some types of job in the sector. AGE 16 to 24 was seen as a valuable incentive to encourage this shift. Another sector organisation also observed that employers in their sector favoured 16 to 18 year old recruits as ‘they had no bad habits’ and could be developed to fit into business’ ways of working.

144. However, contrastingly, another Strategic Partner suggested that, though they sought to assist 16 to 17 year olds, in their area most employers sought to recruit graduates or, at a minimum, young people with A Levels and, thus, placing 16 and 17 year olds remained a challenge. It was also suggested that there was some tension between their local objectives to increase staying-on rates in education for post-GCSE 16 and 17 year olds and AGE 16 to 24 objectives to promote Apprenticeships for this age group.

145. One Local Authority suggested further that AGE 16 to 24 for younger Apprentices, those entering at 16 or 17, needed to be supported by training of employers to undertake the mentoring role which such young Apprentices frequently needed if the Apprenticeship was to succeed.

146. Thus, though AGE 16 to 24’s priorities in respect of its target age group were generally supported, there were nuances to that support in some instances.

Changes to criteria for eligibility of employers

147. There was also a general view that the widening of eligibility to include employers with up to 1,000 staff had had only minor, if any, impact. It was suggested that large employers were not influenced by the grant and would recruit (or not) for reasons other than to access the grant. Two respondents suggested directly that this extension of eligibility was likely to increase deadweight in the programme. One organisation which represents training providers observed that, whether or not the widening of eligibility had any major impact, some providers (described as 'always pushing') would like to see any upper employment limit removed completely.

148. There was a corresponding view that the extension of the maximum number of AGE 16 to 24-supported Apprenticeships in a single employer to 10 had had little impact: most employers attracted by AGE 16 to 24 were small, often micro-businesses which recruited a single AGE 16 to 24-supported Apprentice. One sector organisation which was seeking to promote a Shared Apprenticeship model noted that it would be helpful if the AGE 16 to 24 approach could be integrated with this model to support the model's attractiveness to employers.

149. As with other stakeholder groups, the reduction of the period in which employers awarded AGE 16 to 24 should not have previously recruited an Apprentice from three years to one year was widely welcomed. It was believed to have accelerated take-up of AGE 16 to 24, to allow providers to re-contact employers previously refused on the 3-year rule, and allowed more 'good employers' who supported Apprenticeship on an intermittent basis, as and when business needs dictated, to be supported. One sector organisation in a non-traditional Apprenticeship sector noted that some employers in the sector who had been 'early adopters' of Apprenticeship had previously been penalised by the 3-year exclusion but were now able to be supported. An organisation representing training providers again noted that providers, as with the other eligibility criteria, would like to see further relaxation.

Movement to payment at 13 weeks

150. The simplification of payment procedures by the movement to a single grant payment at the 13 weeks point in the Apprenticeship was generally believed to be sensible and more attractive to employers.

151. However, there were concerns about some employer motivations. Some Partners recognised that unscrupulous employers could receive the payment then terminate the Apprenticeship without comeback. (However, no examples of this actually occurring were put forward.) Given this concern, two Local Authorities which paid top-up grants to employers, over and above the AGE 16 to 24 incentive made their payments later (at 12 months and 6 months in the two cases) in order to incentivise retention.

Management issues

152. Asked to reflect on management issues concerning the various parties involved in the delivery of AGE 16 to 24 – the Strategic Partners themselves, NAS/Skills Funding Agency, providers, and employers – numerous points were made:

- Strategic Partners' relationship with NAS and the Skills Funding Agency were consistently reported as being good. As in the first round of interviews, it was observed that NAS was not always able to respond to propositions which would require the adjustment of AGE 16 to 24's basic regulations but it was recognised that national policy characteristics generally need to be consistent – 'no hard feelings' was the basic view of NAS/Skills Funding Agency inability to make locally-specific changes.

- Strategic Partners usually had good relationships with colleges and training providers. However, they also observed that colleges and training providers could be bureaucratic and inefficient in respect of AGE 16 to 24 delivery. Some charges were that employer referrals by Strategic Partners to colleges were not followed up, that college marketing has sometimes misled employers on their likelihood of receiving AGE 16 to 24, that they can be slow to pass grants on to employers, and that ILR recording of AGE 16 to 24 Apprentices has sometimes been inaccurate. Explanations given for limits in college/ training provider performance were that AGE 16 to 24 was not a direct income stream for colleges and other providers and created management costs for them but without compensatory management fees.

- Strategic Partners also observed the difficulties which occurred with AGE 16 to 24 delivery which some providers, government officials and, in surveys, employers also noted – bureaucracy slowing Apprentice recruitment, resolving eligibility issues (particularly as to when employers had last had Apprentices), and slowness in payments. As above, some of this difficulty was pointed at colleges and providers, but one Strategic Partner observed a 'mutual level of blame' in the relationship between NAS and the Skills Funding Agency on one hand and colleges and private providers on the other.

- More positively, where local alignment of AGE 16 to 24 and local Apprenticeship incentives had been aligned, this was reported as allowing effective targeting of youth unemployment, sometimes through a multi-agency approach which allowed young people's personal and social needs to be addressed alongside their skill needs. Though European Social Funding (ESF) was acknowledged as creating further bureaucracy, areas eligible to attract ESF believed this brought added capacity whilst ineligible areas regretted that ESF match funding could not be added into the funding mix.

- In respect of employers, some Strategic Partners observed that a great many micro-businesses are still unaware of Apprenticeship at all or do not understand its characteristics: a circumstance which they found inhibiting of efforts to promote AGE 16 to 24 and which provoked the view that continued marketing of Apprenticeship itself to this target group was necessary if supplementary programmes such as AGE 16 to 24 were to be as effective as possible.

Overall views of AGE 16 to 24 and its future

153. Despite the various issues which they raised, all Strategic Partners continued to see AGE 16 to 24 as a valuable programme, mainly as a response to youth unemployment rather than as an input to economic productivity, even if, for one or two Partners, the value was seen somewhat grudgingly as ‘any funding is welcome’.

154. Partners were unsure as to the future of the programme and most would like to see incentivisation of young people’s post-16 training extended. However, a number of changes, ranging from practical adjustments to more radical changes of focus, were suggested as beneficial.

- It was suggested that data supply from NAS/the Skills Funding Agency to Partners and providers needed to be improved and that data protocols should be developed to permit this.

- It was suggested that regional flexibilities in grant level should be introduced to reflect variation in regional economies.

- One Strategic Partner with devolved funding would like any programme extension to include the freedom to roll targets and funding into the next financial year.

- It was suggested that AGE 16 to 24 should find a way (as perhaps with Apprenticeship generally) of meeting the challenge of finding more young candidates with the right skills and ability to benefit from Apprenticeship. It was suggested by one Partner that these were too often too low and undermined the programme’s achievement and completion rates. Another provider extended this view and suggested that there was a ‘chicken and egg’ paradox in Apprenticeship. On one hand, employers often wanted Apprenticeship to be based on high level qualifications and to effectively challenge Higher Education as a source of talented staff. However, employers wouldn’t offer these qualifications unless high quality learners came forward – which they felt wasn’t yet happening with sufficient regularity.

- One Strategic Partner took what was perhaps a somewhat contradictory view to this in believing that AGE 16 to 24's focus should be on the NEET issue rather than, as they saw NAS's current focus, on attracting new businesses into Apprenticeship. Consequently, this partner would prefer eligibility for AGE 16 to 24 funding to transfer to the status of the young person rather than being based on the status of the employer (such that any employer would be eligible but would be required to recruit a young person with an agreed prior period of unemployment).

- A further Strategic Partner believed that employer incentives should transfer from support to Apprenticeship itself to support for a pre-Apprenticeship approach based on giving shorter periods of work experience to young people in order to assess their fitness (both from the young person's and the employer's perspectives) for Apprenticeship in a particular sector. It was argued that this approach would break down barriers to SMEs taking on Apprentices by reducing risk; and that, whereas deadweight could be a problem when, as now, only a small AGE 16 to 24 grant was offered to employers for whom the overall cost of Apprenticeship was high, an effective pre-Apprenticeship programme where now none exists would have lesser deadweight risk (£1,500 pre-Apprenticeship grant doing little more than covering employer supervision costs during the pre-Apprenticeship programme).

- Though not proposing any particular solution, one Partner wondered how AGE 16 to 24 might fit with the new Traineeship programme which starts in August 2013 and whether AGE 16 to 24 incentives might be used to develop a new pathway which connected the two programmes.

155. Finally, contemplating a possible future termination of the AGE 16 to 24 programme:

- One Partner commented that termination would have little or no effect on some colleges and training providers which had either never engaged with the programme or had engaged only at a low level. Other colleges or training providers which use it extensively and well to promote Apprenticeships 'would miss it' and would look to alternative means of incentivising employers.

- One Partner organisation's view was that, in the organisation's area, if AGE 16 to 24 were withdrawn, Local Authorities which provide AGE 16 to 24 top-up funding would probably also withdraw this as tight Local Authority funding made their support to Apprenticeship a marginal budget item in any case.

Employer perspectives on AGE 16 to 24

Introduction

156. This chapter sets out findings from surveys of employers. The first section discusses evidence gathered from 'engaged employers' – those who have recruited one or more Apprentices, receiving AGE 16 to 24 funding to encourage them to do so. The second section looks at these employers with a slightly longer term perspective – it reports findings from a set of employers who had been interviewed earlier in the evaluation period and then re-interviewed later in order to see how their views changed over time. The third section considers the issue of non-engagement. It reports the survey responses of employers who enquired about the AGE 16 to 24 grant but who didn't go on to recruit an Apprentice with AGE 16 to 24 support.

Engaged employers

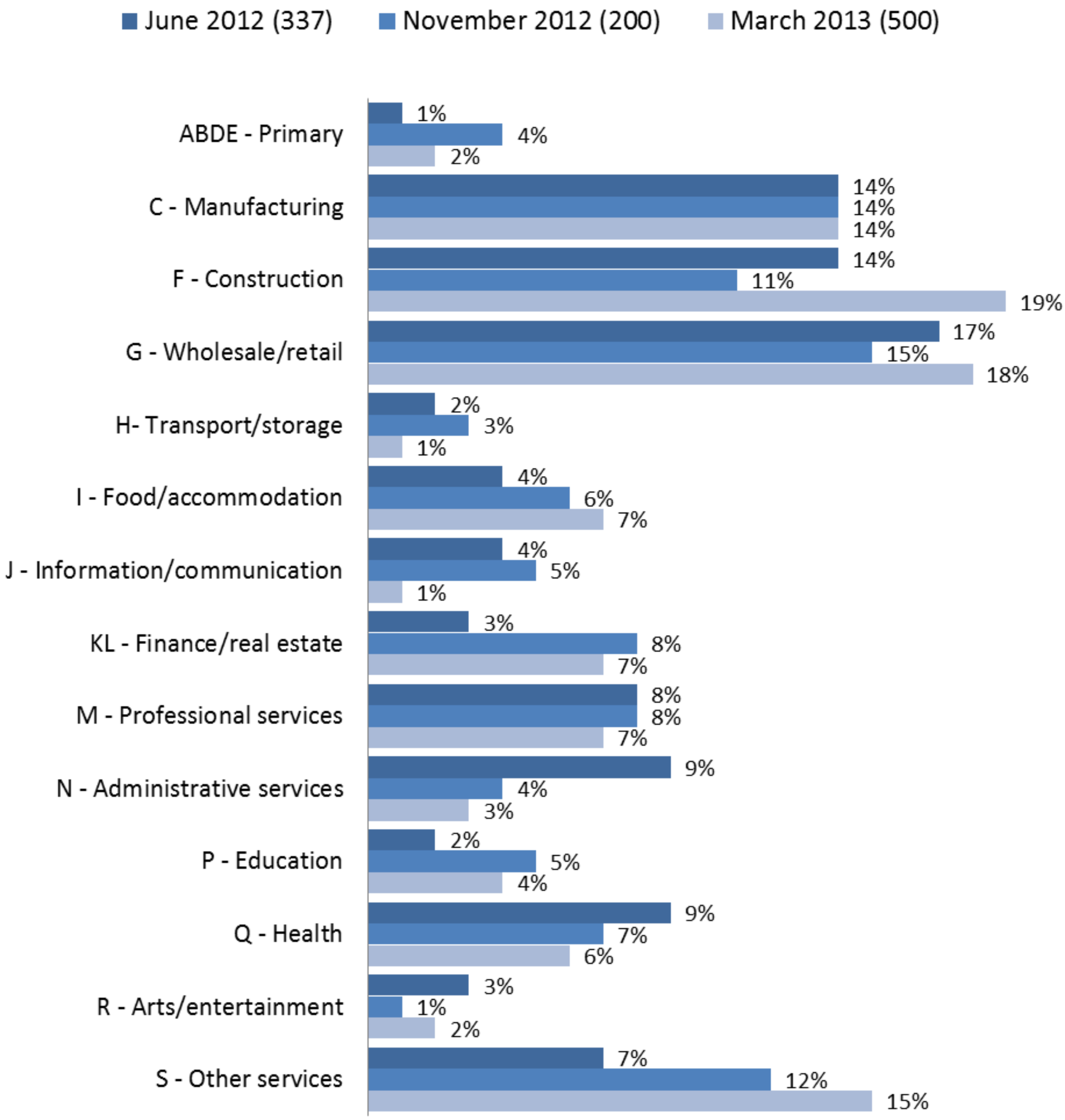
Introduction

157. Three separate samples of engaged employers were interviewed in telephone surveys in June 2012, November 2012, and March 2013. The samples, drawn randomly in each case from the population of engaged employers at the point of survey but organised so that none of these employers were interviewed twice, were of 337 cases, 200 cases, and 500 cases respectively. The questionnaire used as the basis of telephone interviews was mainly kept constant, most of the survey questions being asked on each occasion. Data from the three surveys is, therefore, frequently presented comparatively so that fluctuations in employer behaviour or opinion over the period – particularly any changes following the introduction of different AGE 16 to 24 eligibility criteria at the end of August 2012 – can be seen.

Characteristics of engaged employers

158. A first analysis shows that AGE 16 to 24 Apprenticeships were more often located in the wholesale and retail, construction, and manufacturing sectors than in other sectors. Some fluctuations over the period may be due to sampling variation but it appears that AGE 16 to 24 Apprenticeships in the 'other services' sector (of which hair and beauty activities are much the largest component) grew consistently as a proportion of all AGE 16 to 24 Apprenticeships whilst the proportion of those in 'Administrative Services' (a sector which covers rental, security, call centres, travel agency, and other office services) fell in the period:

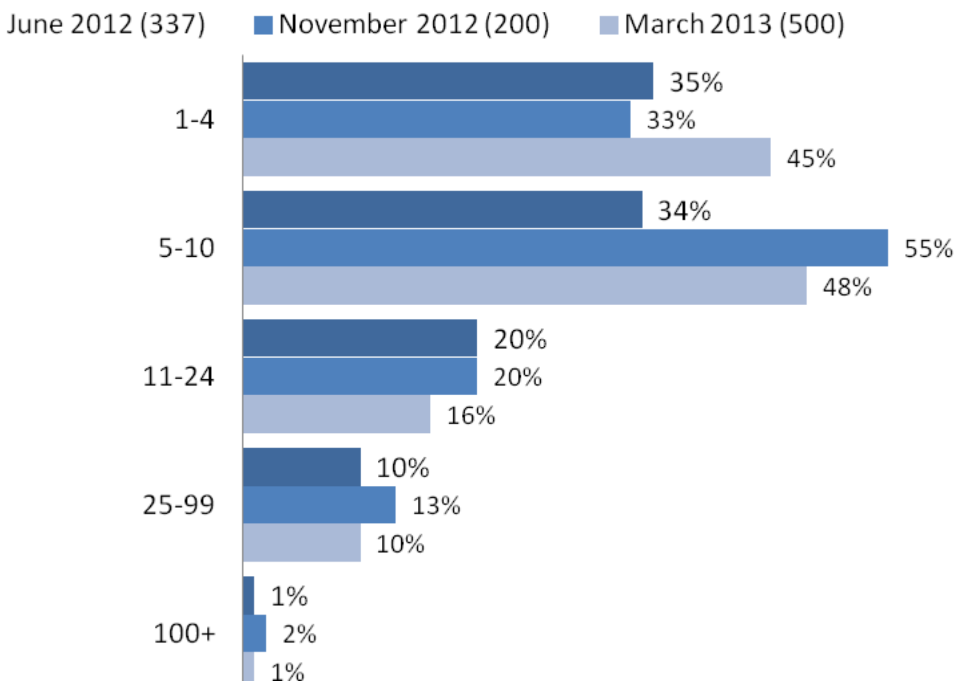
Figure 1: Engaged employers: sectors



Sample bases in parentheses

159. In terms of the size of workplaces which employed AGE 16 to 24 Apprenticeships, these were predominantly small such that, for example, in March 2013, over 90 per cent employed fewer than 25 people:

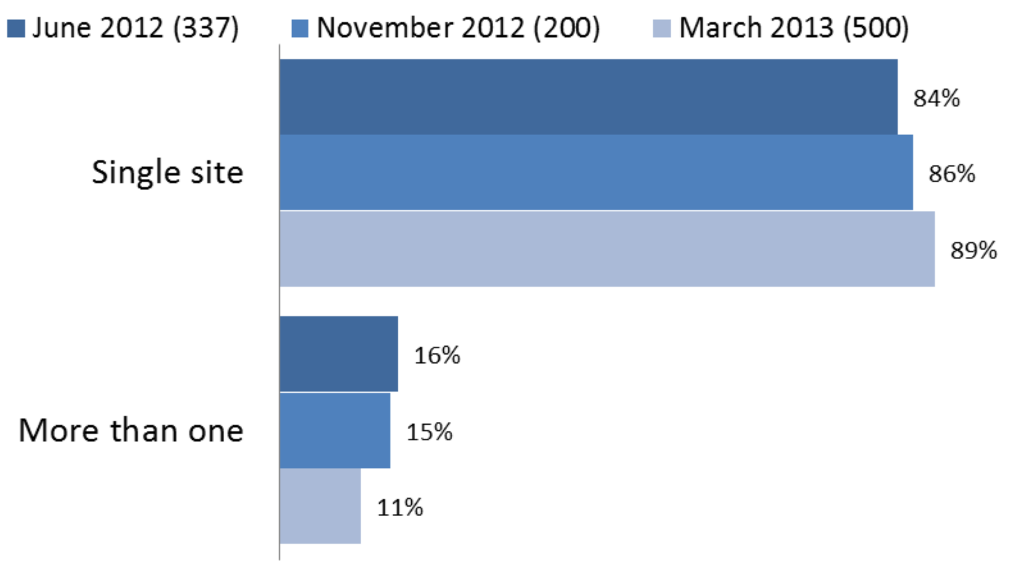
Figure 2: Engaged employers: size of workplaces



Sample bases in parentheses

160. Most workplaces comprised the whole of a single-site enterprise, the proportion of these growing over the period:

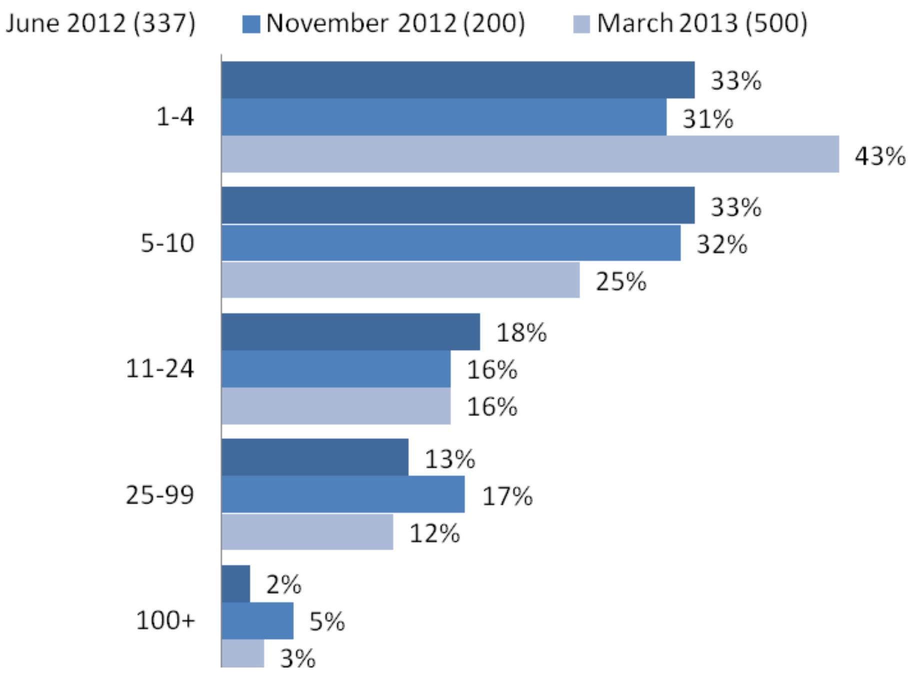
Figure 3: Whether workplace a single site or part of an enterprise with more than one site



Sample bases in parentheses

161. Even if the total employment, across all sites, of multi-site enterprises is combined with the employment of single-site businesses, the size distribution of all enterprises recruiting AGE 16 to 24 Apprentices remains substantially weighted to smaller businesses. It appears that the extension of eligibility from businesses employing up to 250 employees to those employing up to a thousand in August 2012 did not have any marked effect on the broad size distribution of AGE 16 to 24-supported enterprises:

Figure 4: Engaged employers: size of enterprises



Sample bases in parentheses

162. Nor did the simultaneous increase in the numbers of AGE 16 to 24 Apprentices whom employers could recruit, from three to ten, have much apparent impact: the great majority of employers continued to recruit one or two. However, the November 2012 survey, the first after the change, shows that a somewhat larger percentage, four per cent, of employers in that survey took on more than 3 AGE 16 to 24 Apprentices:

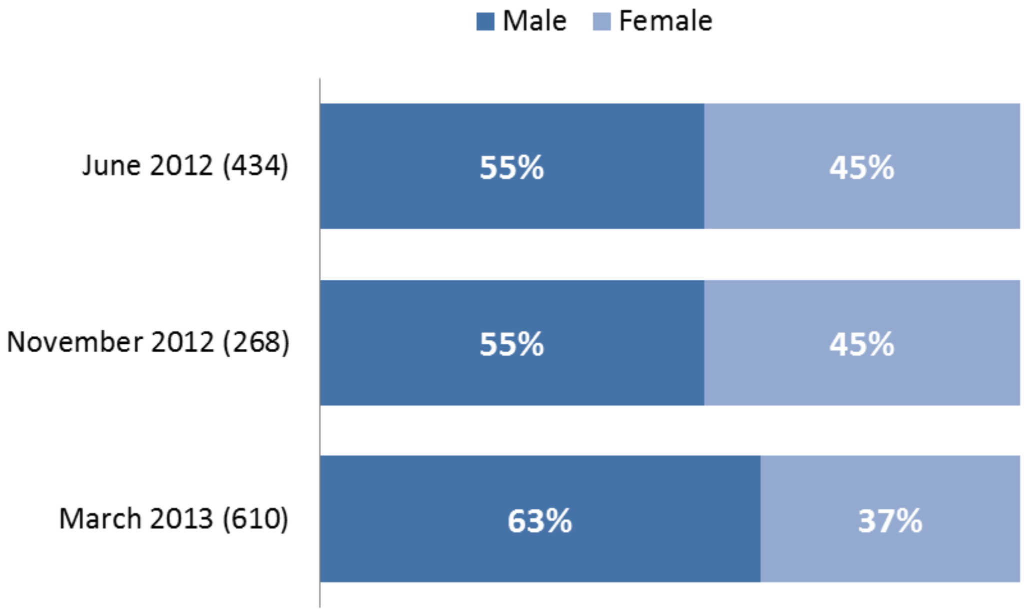
Table 9: Numbers of Apprentices recruited with support from the AGE 16 to 24 grant

	June 2012 %	November 2012 %	March 2013-12-02%
Bases	337	200	500
1 Apprentice	78	76	84
2 Apprentices	17	16	10
3 Apprentices	4	5	3
4+ Apprentices	1	4	2

Gender and age of AGE 16 to 24 Apprentices

163. Over the period, the proportion of young men and young women supported by AGE 16 to 24 Apprenticeship grants appears to have moved somewhat in favour of men (see Figure 5). This may relate to the shifts in the balance of 'AGE 16 to 24 sectors' which are shown in an earlier figure. However, those shifts are quite complex. The proportion of AGE 16 to 24 Apprenticeships in construction (a traditional 'male' sector) rose and the proportion of those in the health and social care sector (weighted to female employment) fell. However, as noted earlier, Apprenticeships in the 'other services' sector, a sector which includes hair and beauty activities and disproportionately employs women, also advanced.

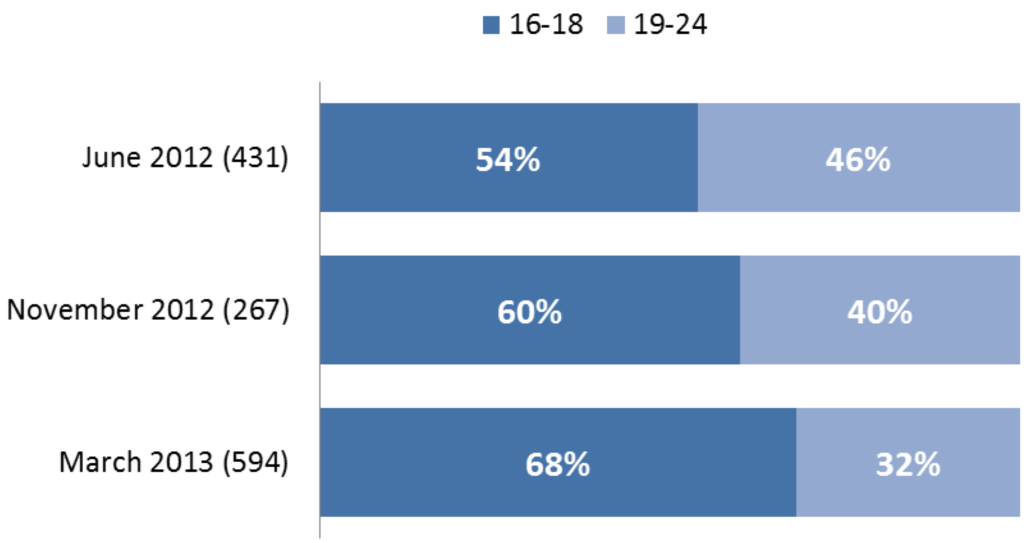
Figure 5: Balance of AGE 16 to 24 Apprenticeship held by young men and young women



Sample bases in parentheses (total number of Apprentices)

164. The survey suggests that the proportion of younger AGE 16 to 24 Apprentices, those aged 16 to 18, increased over the period. This would further suggest that the original aspiration of the programme, that at least 50 per cent of the Apprenticeships supported by AGE 16 to 24 should be held by people in the younger age group, has been clearly met and, indeed, exceeded:

Figure 6: Balance of AGE 16 to 24 Apprenticeships held by 16 to 18 and 19 to 24 year olds

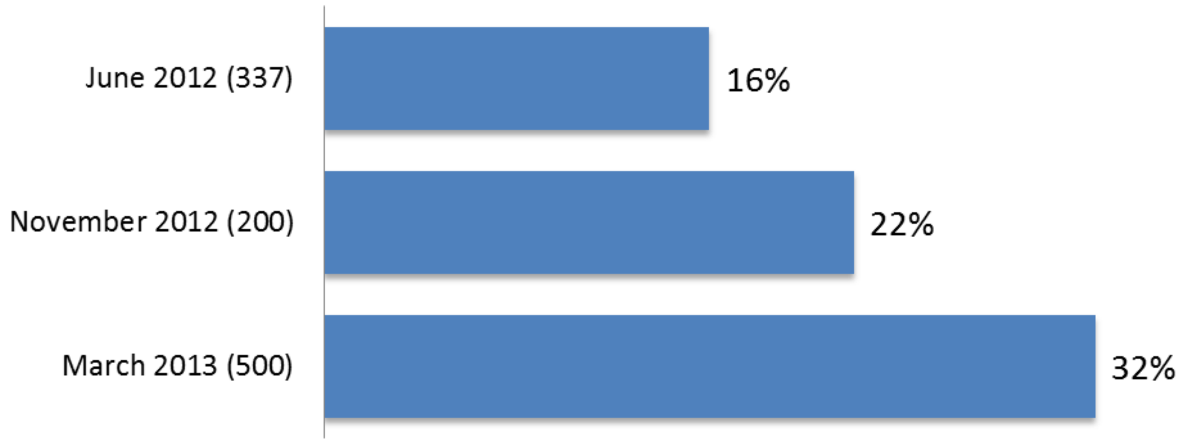


Sample bases in parentheses (total number of Apprentices)

Recruitment of AGE 16 to 24 Apprentices

165. It is noticeable that the proportion of employers who reported that they had previously employed Apprentices [that is, before taking on their AGE 16 to 24 Apprentice(s)] rose from November 2012 onwards, most likely reflecting the relaxation in the eligibility criterion from ‘not having previously recruited an Apprentice in the last 3 years’ down to ‘not in the last year’:

Figure 7: Whether previously had Apprentice(s)



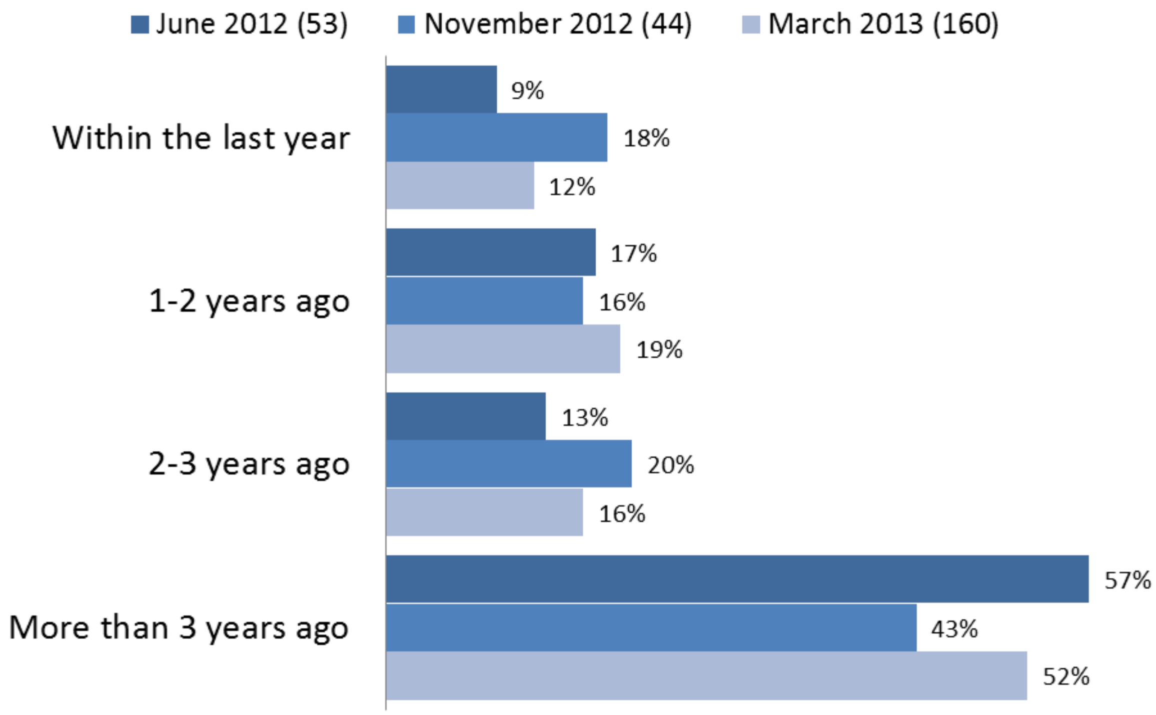
Sample bases in parentheses

166. However, when asked whether their previous Apprentice(s) was or were ‘government’ Apprentices, that is, those supported by the national Apprenticeship programme, a significant proportion of employers, 58 per cent in March 2013, said the Apprentice(s) was or were *not* recruited as part of that programme and a further 15 per cent were unsure on the point.

167. Overall, employer surveys suggest that a high proportion of AGE 16 to 24 employers, for example, 85 per cent in the largest and latest survey, in March 2013, had never been previously engaged with the government Apprenticeship programme.

168. When further asked *when* they last recruited an Apprentice, significant proportions reported that recruitment was ostensibly within the period (previous 3 years up to August 2012; previous 1 year since then) when such recruitment would have breached AGE 16 to 24 eligibility rules. The proportions in breach of the '3 year rule' might have been: up to 39 per cent in the June 2012 survey (total of the 'within last year', '1-2 years ago' and '2-3 years ago' categories in Figure 8 below); 18 per cent ('within the last year') in the November 2012 survey (following the eligibility change); and 12 per cent ('within the last year') in March 2013. However, given the uncertainty as to whether the previously-recruited Apprentices were or were not 'government' Apprentices noted in the previous paragraph, and possible imprecision in employers' recall of exactly when they previously recruited, it seems likely that the scale of apparent breaches of eligibility may be very much less than Figure 8 might superficially suggest:

Figure 8: Period since recruited an Apprentice prior to their recruitment of an AGE 16 to 24 Apprentice



Sample bases in parentheses

169. Awareness of the AGE 16 to 24 grant was most frequently generated by training providers (see Table 11 following) although there may have been some decline in the frequency of this source since June 2012. Media sources and advertising appear to have had much less impact but awareness generated by websites may have grown. Where initial awareness of AGE 16 to 24 had been generated by a website, some employers could not be very specific as to which website(s) but 25 per cent (of 'website aware' employers) identified Google or general search engines, 23 per cent mentioned the NAS Service website, 15 per cent an unspecified government website, and ten per cent an unspecified 'Apprenticeship' website:

Table 10: How employers became aware of AGE 16 to 24

	June 2012 %	November 2012 %	March 2013
Bases	337	200	500
A training provider/college told you about it	61	46	53
Via a website	8	10	15
A business colleague told you about it	6	7	7
You read about it in a newspaper or journal or magazine	2	3	5
A trade organisation told you about it	1	3	4
You saw some sort of advertisement	2	6	2
Word-of-mouth (no other detail)	9	14	2
From other media sources (inc radio, new programmes)	3	1	2
Other	12	16	16

170. Quite often, the recruited Apprentice was already known to the employer or approached the employer and asked to be recruited. In other cases, the Apprentice candidate was put forward by a training provider. Fewer Apprentices were recruited via the Apprenticeship vacancies system:

Table 11: How AGE 16 to 24 Apprentices were selected

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
He/she was already known to you	23	32	35
A training provider or college put forward a candidate and he/she was acceptable	12	13	27
He/she wasn't known to you but they approached you and asked to be taken on	4	11	23
A training provider or college put forward more than one candidate and you selected amongst them	39	40	20
He/she submitted their CV	0	3	6
The Apprenticeship was advertised on the online Apprenticeship vacancy system and you selected the person/people you wanted	4	7	4
By an interview/interview process	21	0	3
The Jobcentre provided potential Apprentices	1	2	1
Other	3	4	3

171. The main reason for taking on their AGE 16 to 24 Apprentice(s) was to develop a skilled long-term member of staff. However, this reason appears to have declined in salience over the period in which surveys have been undertaken, whilst countering

skill shortages and assisting young people in economic difficulty have grown in frequency as reasons for recruitment. AGE 16 to 24 Apprenticeship as part of business growth strategy appears (in Table 12) to have grown from a zero base in June 2012. However, this item was added to the 'prompts' on which this survey question was based only in the November 2012 and March 2013 surveys and apparent 'growth' is an artefact of this change. Further analysis of this reason (not shown here in detail) suggests that use of AGE 16 to 24 as a contribution to business growth strategy is more likely to be reported by smaller businesses, particularly those with 10 or fewer staff.

Table 12: Main reason for taking on AGE 16 to 24 Apprentice(s)

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
To train someone up to become a skills longer-term member of staff	72	54	46
Because it's difficult to get hold of skilled people so you decided to take someone on and train them	3	4	7
To get someone as an extra pair of hands who wasn't too expensive	9	10	10
To help out a particular young people who you knew	3	5	4
To increase the number of young people in the business	2	2	3
Generally, to offer an opportunity to young people knowing that jobs are hard to come by at the moment	9	12	14
As part of a strategy to help the business grow	0	10	12
Other	1	5	3

172. In the latest survey of engaged employers (March 2013), employers were also asked what they used the grant for. The largest proportions, particularly of the group of small workplaces with up to 10 staff, used the grant to pay the Apprentice's wage or to pay for equipment or materials used by the Apprentices. Larger employers were more likely to see the grant as paying for training costs. Fifteen per cent of businesses simply added the grant to their general accounts without any specific connection to a particular Apprentice- or training-related purpose:

Table 13: Employer use of AGE 16 to 24 grants

	March 2013	No. Employers At Site			
	All %	**1-10 %**	**11-24 %**	**25-99 %**	**100+ %**
Base	500	364	80	49	6
To pay for the Apprentices wages for an initial period	40	44	33	27	33
To pay for equipment or other materials for the Apprentice	20	23	15	10	0
Training the Apprentice	9	7	11	12	33
To pay for other training within the business (not linked to the Apprenticeship)	8	8	6	10	33
To contribute towards the recruitment costs	4	2	8	6	0
Other	3	4	1	0	0
Nothing specific – deposited in bank / cash flow within the business	15	15	18	12	17
Don't know	8	6	11	20	0

Impact of the grant on employer decisions to recruit an Apprentice

173. In principle, employers should only have received an AGE 16 to 24 grant if they would not have taken on the Apprentice(s) without it being available to them – and, indeed, they sign an agreement to this effect. However, as noted elsewhere in this report, there is an Apprenticeship development approach which extends to AGE 16 to 24 Apprenticeships and their marketing, which seeks to place business need for Apprenticeship, rather than external incentivisation, as the basis of the Apprenticeship decisions of employers; and it is widely recognised, by NAS and its partners, that a grant of £1,500 is unlikely to be sufficient to constitute the sole factor

generating employer willingness to establish Apprenticeships, given Apprenticeship's significant overall costs.

174. Hence, the way in which employers make their decisions to take on an Apprentice with AGE 16 to 24 support does not often fit a model in which Apprenticeship opportunities are generated simply as a result of becoming aware of the grant. Rather, awareness of the grant is a factor which integrates with more general interest in Apprenticeship itself, either generated within the business or as a result of marketing by training providers or by would-be Apprentices:

Table 14: How AGE 16 to 24 awareness integrates with employers' interest in taking on an Apprentice

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
They definitely intended to take on an Apprentice(s) and were told about the Grant when they applied	43	38	37
They were not certain about taking on an Apprentice(s) and made enquiries and were told about the Grant then	26	23	9
They hadn't thought about taking on an Apprentice(s) but were approached by a training provider or college and were told about the Grant being available	13	16	19
They heard about the Grant and that made them thing that taking on an Apprentice(s) and so they enquired about it	9	1	5
A young person approached them about becoming an Apprentice and told them about the Grant	6	7	15
Some other way	3	6	13
Don't know / refused	1	1	1

175. However, when asked specifically (in the November 2012 and March 2013 surveys only) whether the grant had made a difference to the decision to take on an Apprentice at the point at which they did so, only minorities of employers (19 per cent in November 2012 and 22 per cent in March 2013) said it made no difference. Tables 15 and 16 (following) suggest that the grant was more likely to make a difference for small businesses, particularly those employing 10 or fewer staff, and those which had not previously had Apprentices:

Table 15: Whether the AGE 16 to 24 grant made a difference to the decision to take on an Apprentice now, by size of workplace

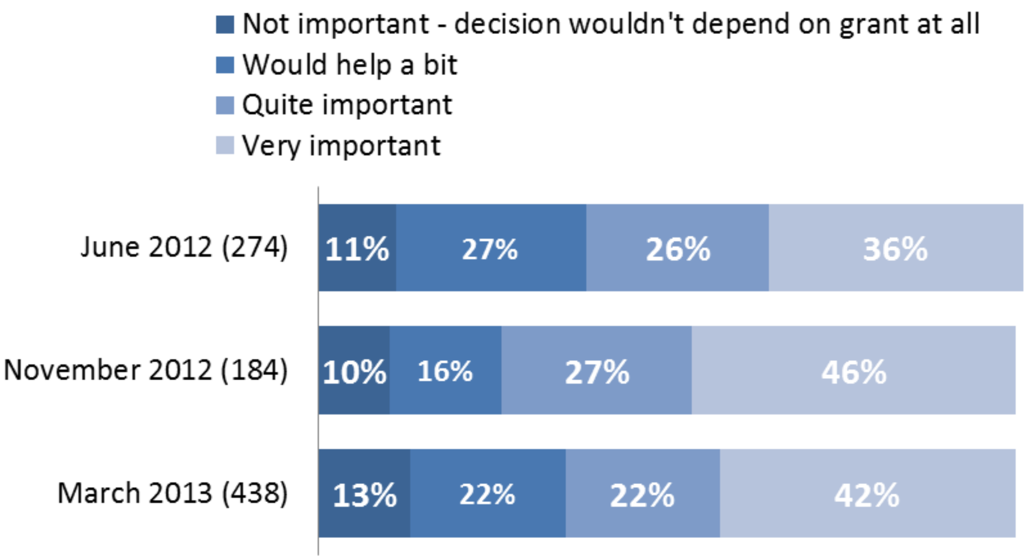
		No. Employees At Site			
	All %	**1-10 %**	**11-24 %**	**25-99 %**	**100+ %**
Bases: March 2013	500	364	80	49	6
Made a significant difference	39	43	38	14	33
Made some difference	38	37	34	55	33
Made no difference	22	20	28	29	33
	All %	**1-10 %**	**11-24 %**	**25-99 %**	**100+ %**
Bases: November 2012	200	134	39	25	2
Made a significant difference	50	58	41	16	50
Made some difference	28	24	31	48	0
Made no difference	19	13	26	32	50

Table 16: Whether the AGE 16 to 24 grant made a difference to the decision to take on an Apprentice now, by whether had previously had Apprentice(s)

		Other Apprentices	
	All %	Have had %	No others %
Bases: March 2013	500	160	340
Made a significant difference	39	40	38
Made some difference	38	34	41
Made no difference	22	26	20
	All %	**Have had %**	**No others %**
Bases: November 2012	200	44	156
Made a significant difference	50	45	51
Made some difference	28	25	29
Made no difference	19	25	17

176. A further insight into the impact of the grant was generated in considering employers' future recruitment of Apprentices. Later in this section it will be reported that over 8 out of 10 employers were positive about the future recruitment of further young Apprentices. When these employers were asked how important a grant would be to such future recruitment, only small minorities said that the grant would have no impact at all on the decision:

Figure 9: Importance of grant support in future decisions to recruit young Apprentices

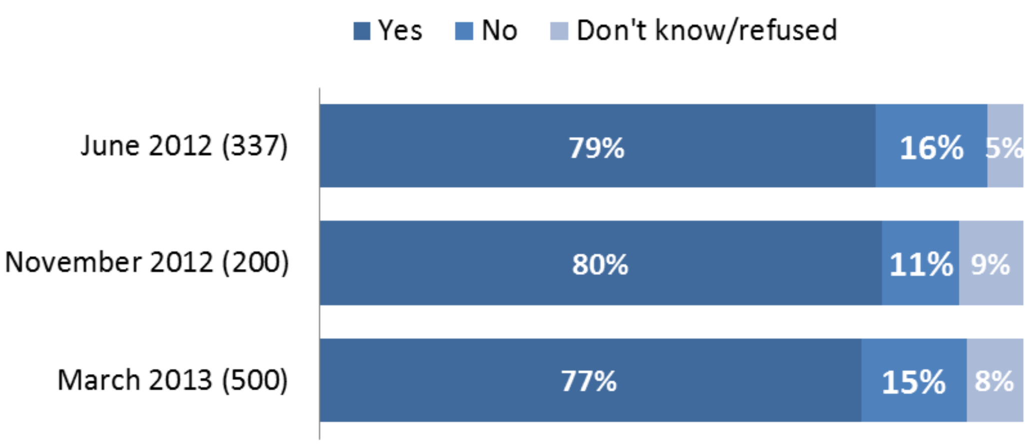


Sample bases in parentheses

Administration of the grant

177. Employers were asked a series of questions to assess whether, from their point of view, administration of AGE 16 to 24 had been effective or not. Only a minority said they did not find the terms of the grant and the way it would be paid easy to understand:

Figure 10: Whether AGE 16 to 24 was or was not easy to understand



Sample bases in parentheses

178. In November 2012 and March 2013, the small numbers of respondents who did not find AGE 16 to 24 easy to understand were asked why not. Reasons included those that employers were not informed of payment arrangements, poor communications

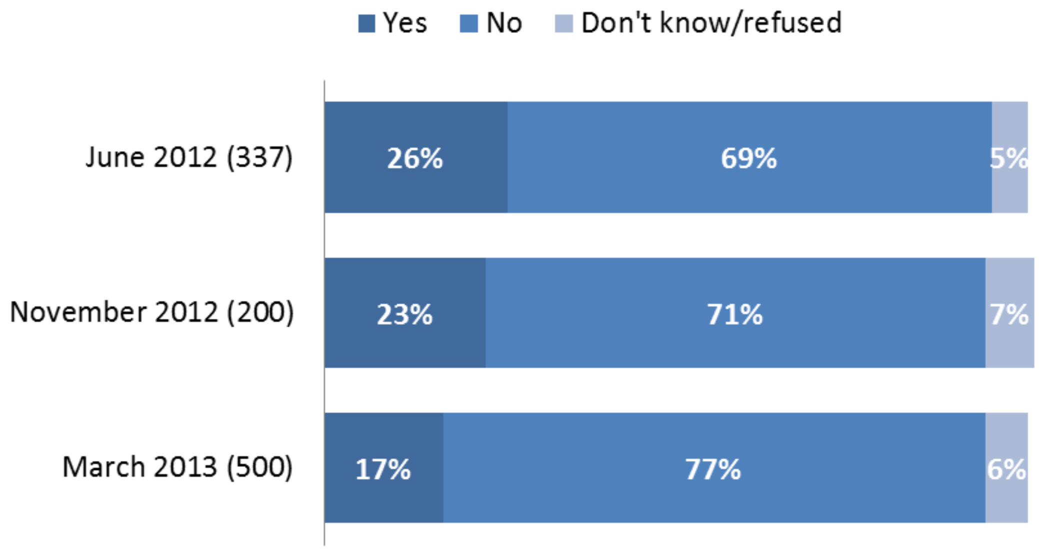
and information, non-receipt of payment (at the time of survey) or later-than-expected payment, and having to chase up grant administrators:

Table 17: Why AGE 16 to 24 was not easy to understand

	November 2012 %	March 2013 %
Bases	22	75
They were not informed of payment arrangements (how/when)	41	37
There was poor/lack of communication (including wasn't kept informed/updated)	41	47
They haven't received payment	32	27
The payment was received later than expected	32	20
There was limited information available (including little/no clarification)	5	20
It was too complex/complicated (including too much red tape/paperwork)	32	12
There was a poor standard of explanation (including too vague/confusing)	23	20
They were not informed of grant scheme's existence (that it was available/was unaware of it)	9	1
They had to chase things up continually	23	29
Other	18	7

179. Employers were also asked whether they had faced obstacles in accessing the grant. A minority had done so, but the proportion reporting problems fell over the period:

Figure 11: Whether or not employers faced obstacles in accessing AGE 16 to 24



Sample bases in parentheses

180. Again in November 2012 and March 2013, the minority of employers reporting obstacles were asked what these obstacles were. Delay and non-receipt of payment were frequently mentioned but these problems declined between the two surveys. Problems with communications, administrative confusion, and ‘chasing up’ were also reported again:

Table 18: Obstacles to accessing AGE 16 to 24

	November 2012 %	March 2013 %
Bases	46	84
Delay in receiving a payment instalment (inc. late payment)	91	63
Lack of communication (inc. not being fully informed)	22	36
Poorly run/problems within the service (inc. confusion when dealing with the scheme)	15	31
Company had to chase things up continually	37	29
Not receiving the initial payment	43	25
Other	4	11

181. More specifically, in March 2013 the shift to payment of the full grant at a point 13 weeks into the Apprenticeship was investigated in more detail. Employers were asked whether they were aware of this payment point. Only two-thirds (66 per cent) of employers were aware of this, the majority of these (85 per cent) having become aware via their AGE 16 to 24 training provider. However, most employers (89 per cent) thought this payment point appropriate with only six per cent saying that an alternative would be better. When these latter employers (only 30 cases in total) were asked what alternatives they would prefer, a third (10 cases) suggested full payment at the start of the Apprenticeship. The remainder suggested either an earlier payment point than at 13 weeks or paying the grant in various instalment patterns.

182. Overall, when asked whether administration and paperwork associated with their Apprentices was burdensome, only a small (and declining) proportion reported it as such:

Table 19: Extent to which Apprenticeship administration constitutes a burden to AGE 16 to 24 employers

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
No problem at all	73	76	80
A minor irritation	18	15	12
Somewhat of a hassle but manageable	6	9	5
A great burden	2	1	1

Effectiveness of AGE 16 to 24 Apprenticeships

183. Employers were also asked a short series of questions to assess whether Apprenticeships established with AGE 16 to 24 support are working well or otherwise. Most reported that the Apprentices they recruited have performed satisfactorily:

Table 20: Satisfaction with AGE 16 to 24 Apprentices

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
Very satisfactory	67	69	64
Quite satisfactory	17	19	22
Okay (some good, some not)	11	9	10
Quite unsatisfactory	3	1	2
Very unsatisfactory	2	2	1
Don't know	0	0	0

184. The colleges or private training providers who supply employers with the off-site training element of the Apprenticeship were also reported as generally performing satisfactorily, although levels or satisfaction in this case were a little lower than levels of satisfaction with Apprentices:

Table 21: Satisfaction with AGE 16 to 24 training providers

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
Very satisfactory	50	51	44
Quite satisfactory	19	21	28
Just about okay	16	13	17
Quite unsatisfactory	5	4	4
Very unsatisfactory	3	4	3
Don't know	7	6	3

185. In the March 2013 survey, employers who were dissatisfied with their training provider (33 cases) were asked the reason for this. Fifty-two per cent of these respondents (17 cases) reported issues with the training which the provider supplied, thirty-three per cent (11 cases) reported poor communications, and 15 per cent (5 cases) said they had not received site visits or only a limited number.

186. Overall, employers were mostly satisfied with their involvement with Apprenticeship, only 1 in 50 (in March 2013) being actively dissatisfied:

Table 22: Overall employer satisfaction with their involvement in Apprenticeship

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
Very satisfactory	63	70	57
Quite satisfactory	24	21	30
Okay but not great	10	6	10
Quite unsatisfactory	1	2	1
Very unsatisfactory	1	3	1

187. A further indicator of employer satisfaction with Apprenticeship may be willingness to pay Apprentices more than the National Minimum Apprenticeship wage. It can be seen that around half of employers (48 per cent in March 2013) paid above the minimum level:

Table 23: Wage rates of AGE 16 to 24 Apprentices

	June 2012 %	November 2012 %	March 2013 %
Bases	337	200	500
£2.64 or less	0	2	1
£2.65 minimum wage	54	32	41
£2.66 - £3.00	9	13	13
£3.01 - £4.00	13	19	16
£4.01 - £5.00	12	10	10
£5.01 - £6.00	4	6	4
£6.10 or more	6	9	5
Don't know	8	8	7
Refused	3	4	3

188. The likelihood of their doing so was higher in production and construction sectors than in service sectors:

Table 24: Wage rates of AGE 16 to 24 Apprentices (March 2013 survey) by broad sector

	March 2013 %	Production / Construction %	Services %
Bases	500	174	326
£2.64 or less	1	0	1
£2.65 minimum wage	41	32	47
£2.66 0 £3.00	13	13	13
£3.01 - £4.00	16	22	13
£4.01 - £5.00	10	13	9
£5.01 - £6.00	4	5	3
£6.10 or more	5	7	4
Don't know	7	5	8
Refused	3	3	2
Mean hourly rate	3.46	3.72	3.32

Apprentice retention and completion

189. At the time of the surveys, most Apprentices were still on their Apprenticeship programmes with their employers. Few had left the programme without completing:

Table 25: Status of AGE 16 to 24 Apprentices at time of survey

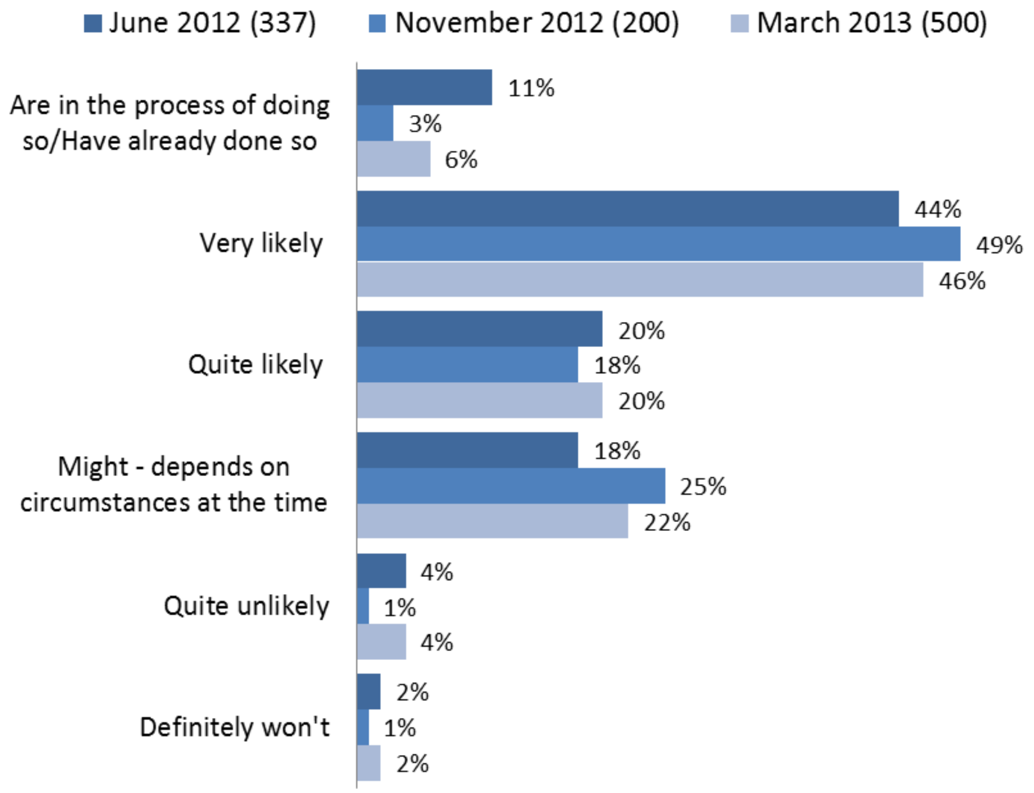
	June 2012 %	November 2012 %	March 2013 %
Bases	422	151	422
Your Apprentice is still working with you as an Apprentice	92	92	94
The Apprentice left your organisation without completing the full training programme	8	7	4
The Apprentice completed full training programme but subsequently left the organisation	0	1	1
The Apprentice completed the full training programme and has continued working with you as an employee	0	1	1

190. Ninety-nine per cent of employers (in the March 2013 survey) with Apprentices still on programme expected their AGE 16 to 24 Apprentice to complete the programme. Even if this expectation is a little optimistic and does not take account of circumstances which the employer is not able to foresee, the statistics suggest that a good rate of completion will, in fact, be achieved.

Impact of AGE 16 to 24 Apprenticeship experience on future recruitment of young Apprentices

191. Employers were also asked how likely it was that they would take on another young Apprentice in future given their AGE 16 to 24 experience. Employers were quite positive about this, only small minorities saying that it was unlikely:

Figure 12: Likelihood of recruiting a young Apprentice in future



Sample bases in parentheses

Follow-up survey

Introduction

192. In March 2013, a further telephone survey of employers was undertaken. This survey was of 312 employers who had previously been interviewed in June 2012 (199 cases) or in November 2012 (113 cases). Response rates in the survey were high, most employers contacted being happy to take part in this second interview. The objective of this survey was to assess the extent to which employer perceptions of AGE 16 to 24 Apprenticeship as a programme and of their Apprentices had persisted or otherwise.

193. The employers who responded were selected randomly from the total of 537 employers who had responded in one or other of the earlier surveys. Thus, their industry and size (employment) profiles were very similar to those of the earlier surveys. In terms of industry, wholesale/retail (19 per cent of cases), manufacturing (15 per cent), construction (11 per cent), professional services (10 per cent), health and social care (9 per cent), and ‘other services’ (8 per cent) were most strongly represented. As previously, the majority of respondents (88 per cent) were responding on behalf of small enterprises employing fewer than 25 people.

Payment procedures

194. The 113 employers who were first interviewed in the second employer survey in November 2012 – that is, after the change to a single payment of grant at 13 weeks – were asked a series of questions about this:

- Were they aware that businesses became eligible for the grant at the 13 week point?
- If so, did their training provider make them aware of this?
- Had they actually received the grant?
- If 'no', how long had they been waiting?
- If 'yes', how long did it take to receive the grant?
- Did that period cause any problems?
- If so, what was the problem?

195. Responses to these questions are summarised in the following table:

Table 26: Employer views on the '13 week' payment point

	'Yes' %	Other information
Aware of the 13 weeks qualification point? (113 cases)	85	
If aware, was it their training provider who made them aware? (96 cases)	90	
Had they actually received the grant? (113 cases)	80	
If has received the grant (90 cases): **How long did it take?** • **Up to 14 weeks** • **15-17 weeks** • **18-20 weeks** • **20-25 weeks** • **More than 25 weeks** • **Don't know**	 10 31 16 13 10 20 100	
Per cent saying this period caused a problem	16	
If a problem, what was it (10 cases; multiple responses allowed)	-	Needed the money (3 cases) Spent time chasing (3 cases) Just annoyed it didn't come when expected (7 cases)
If a problem, what was it (10 cases): **How long have you been waiting?** **Has this period caused you any problems?** **If a problem, what is it? (1 case)**	-	18-20 weeks (1 case) 25+ weeks (3 cases) Don't know (4 cases) Yes (1 case) No (3 cases) Don't know (4 cases) Needed the money (1 case)

196. The data in Table 26 suggests:

- That employers are not always aware of the 13 week threshold for qualification, perhaps because, for some (up to 15 per cent), it is not a critical matter.
- Where employers are aware, this is mainly because of provider guidance.
- In practice, payment occurs within 17 weeks for about 4 out of 10 employers and takes longer than this for a further 4 out of 10 (20 per cent of respondents not being able to report how long payment took).
- This time period caused a problem for roughly a sixth of employers but for many of these the problem may be a matter of annoyance at non-receipt at the expected time or annoyance at having to spend time trying to get the grant, rather than actual impact on cash flow.

Retention and completion

197. All 312 respondents were asked to report the current status of their Apprentices. These statuses are identified in the following table:

Table 27: Current status of Apprentices

	Original interview in June 2012 %	Original interview in November 2012 %	All %
The Apprentice is still working with you as an Apprentice	53	84	64
The Apprentice left your organisation without completing the full training programme	20	14	17
The Apprentice did not complete the training programme but is still with you as an employee	1	0	1
The Apprentice completed the full training programme but subsequently left the organisation	7	1	4

	Original interview in June 2012 %	Original interview in November 2012 %	All %
The Apprentice completed the full training programme and has continued working with you as an employee	20	1	13
Other	1	0	1
Total	**100**	**100**	**100**

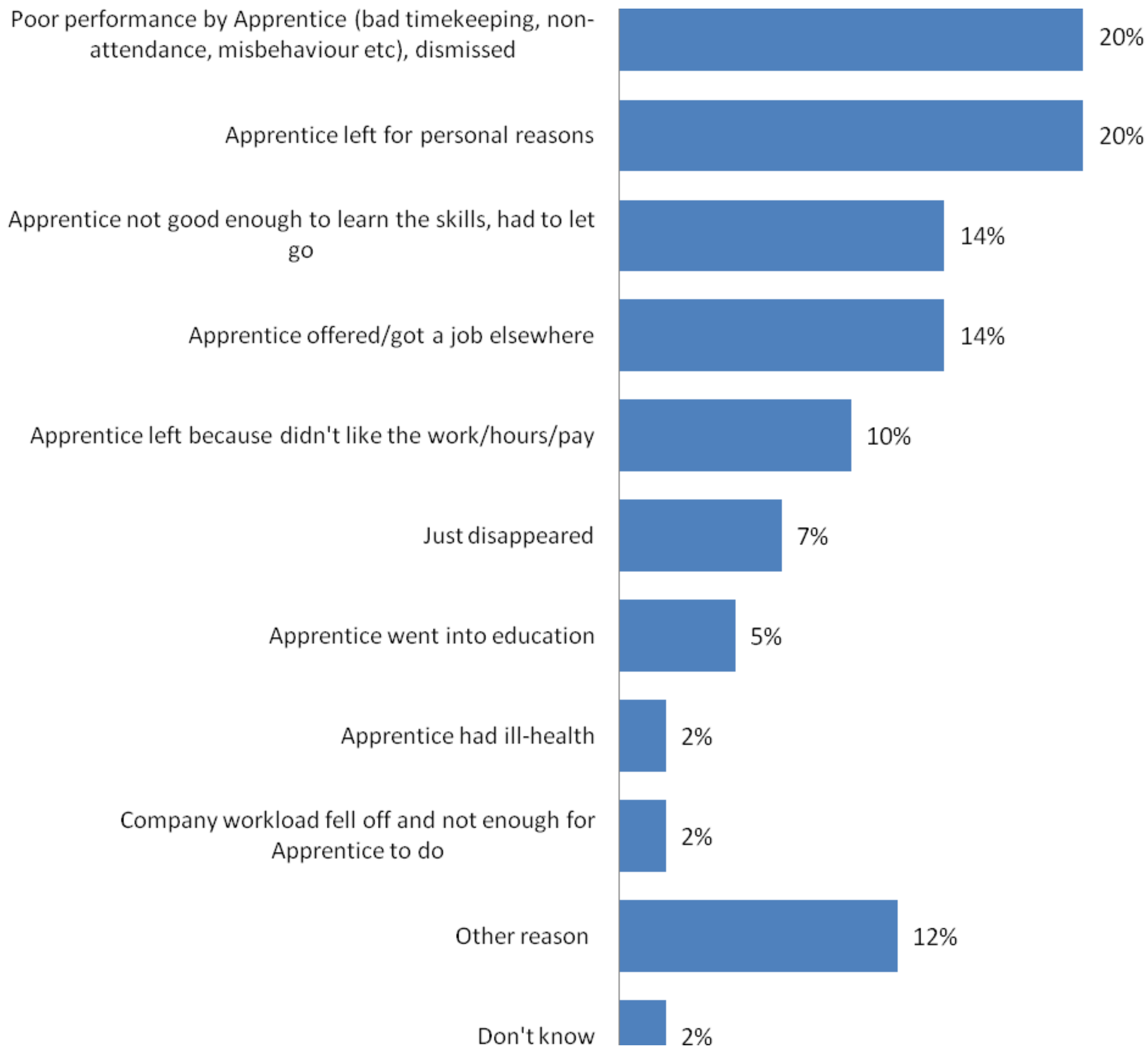
Sample base is 394 Apprentices of all 312 employers in the survey

198. The expectations of almost all employers that their on-programme Apprentices would complete (as reported in the previous section on 'engaged employers') have not been borne out in some cases. The statistics for the June 2012 cohort in Table 26 suggest a completion rate of around 80 per cent or a little lower if a few more young people from this cohort who are still on programme drop out before the end of their Apprenticeships (99 per cent of these re-surveyed employers expected that their continuing Apprentices would *not* drop out without completing). This rate would be consistent with success rates for 'standard' (i.e. not AGE 16 to 24-supported) Apprenticeships[26]. Positively, the survey also showed that a fifth of Apprentices in the June cohort had completed successfully and transferred into employment with their Apprenticeship employer.

199. Where Apprentices had not completed their Apprenticeship, employers attributed this to factors concerned with the Apprentice rather than factors concerned with the business:

[26] Overall 'standard' Apprenticeship success rates in 2011/12 were: male 16-18 year old Apprentices, 72.7%; female 16-18 year old Apprentices, 73.7%; male 19-24 year old Apprentices, 75.7%; female 19-24 year old Apprentices, 76.1% [Source: the Data Service (ONS)]

Figure 13: Reasons for non-completion of Apprenticeship (from the employer perspective)



Base is 59 employers with non-completing Apprentices

Satisfaction with the Apprenticeship programme

200. This ‘follow-up’ survey was also used to investigate the extent to which employers’ original views of various aspects of the programme as expressed in their first interviews had been maintained or otherwise. The following table presents an analysis:

Table 28: Levels of employers satisfaction with Apprenticeship: first and follow-up interviews

	First interview %	Second interview %
Saw their Apprentice as:		
• Satisfactory	88	79
• Okay	10	14
• Unsatisfactory	2	6
Saw their training provider as:		
• Satisfactory	75	64
• Okay	14	23
• Unsatisfactory	5	9
Saw programme administration as:		
• A burden / a hassle	8	10
• A minor irritation	16	12
• No problem	75	78
Saw their overall engagement in Apprenticeship as:		
• Satisfactory	90	77
• Okay	8	17
• Unsatisfactory	2	5

201. The data in this table suggests that a minority of employers have had experiences with Apprenticeship which caused some downward movement in average satisfaction levels. However, when the nature of two potentially explanatory issues – delayed grant payment or non-completion by Apprentices – was investigated, there was no data which suggested any significant relation between slightly frequent expressions of satisfaction and these phenomena. It may perhaps simply be that, as in many aspects of life, high levels of initial enthusiasm moderate over time.

Further Apprentice recruitment

202. However, despite the moderate decline in overall satisfaction levels, 18 per cent of respondents had recruited one or more further Apprentices since the original, AGE 16 to 24-supported, ones who were the main subject of the survey.

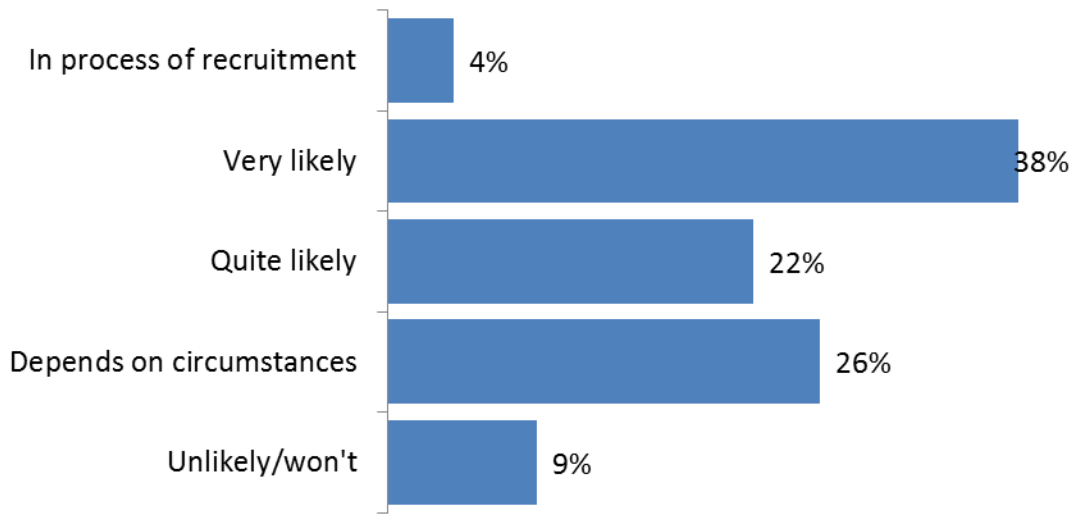
203. In all, these employers had recruited a total of 91 further Apprentices. In 43 per cent of cases, the employer had recruited 16 to 18 year old Apprentices; 36 per cent had recruited 19 to 24 year old Apprentices; and 16 per cent had recruited a mix of 16 to 18 year olds. Only one employer had recruited a further Apprentice who was aged 25 or over.

204. In 54 per cent of cases, these employers (who had recruited a further Apprentice) reported receiving or expecting a grant of £1,500 to support the further Apprentice, 31 per cent did not report this, and 15 per cent were uncertain.

205. In cases where a further grant was received or expected, 66 per cent of employers said the grant made a significant difference to the recruitment decision and a further 24 per cent that it made some difference. Only seven per cent of these employers said that their further recruitment was not influenced by the grant.

206. When asked about the likelihood of *future* recruitment of young Apprentices, responses were:

Figure 14: Likelihood of future recruitment of young Apprentices

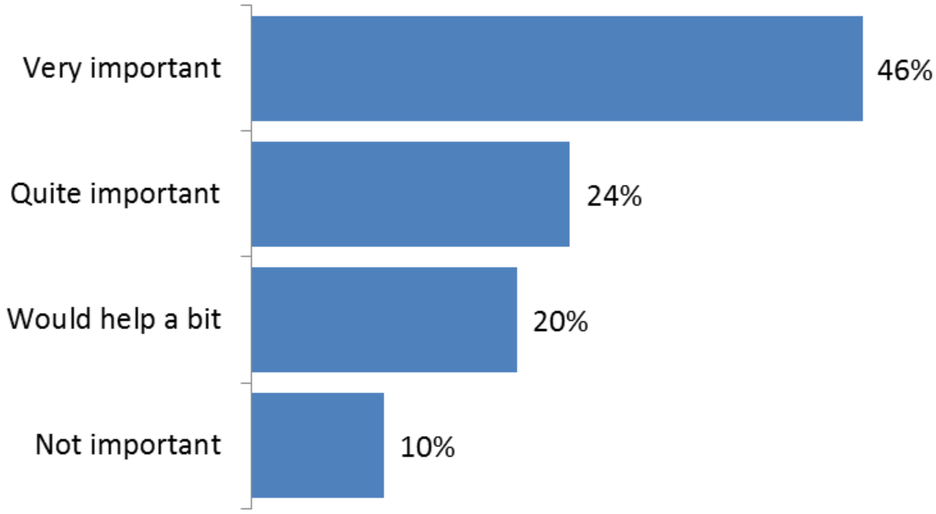


Base is all 312 employers in the survey

207. Though these figures, as with satisfaction indicators, have become a little less positive between these employers' initial and follow-up interviews, they still suggest that experience of AGE 16 to 24 Apprenticeships leaves the great majority of employers at least open to the prospect of future recruitment.

208. However, responses to a question as to whether the availability of grant support would be important to a decision to recruit suggest that future recruitment levels amongst this set of employers would be sensitive to the continued availability of subsidy. The 'very important' figure, 46 per cent overall, was significantly higher, at 52 per cent, for the smallest enterprises employing 10 or fewer people:

Figure 15: Whether a grant would be important to future decisions to recruit young Apprentices



Base is 270 employers with some likelihood of recruiting a young Apprentice in future

Non-engaged employers

Introduction

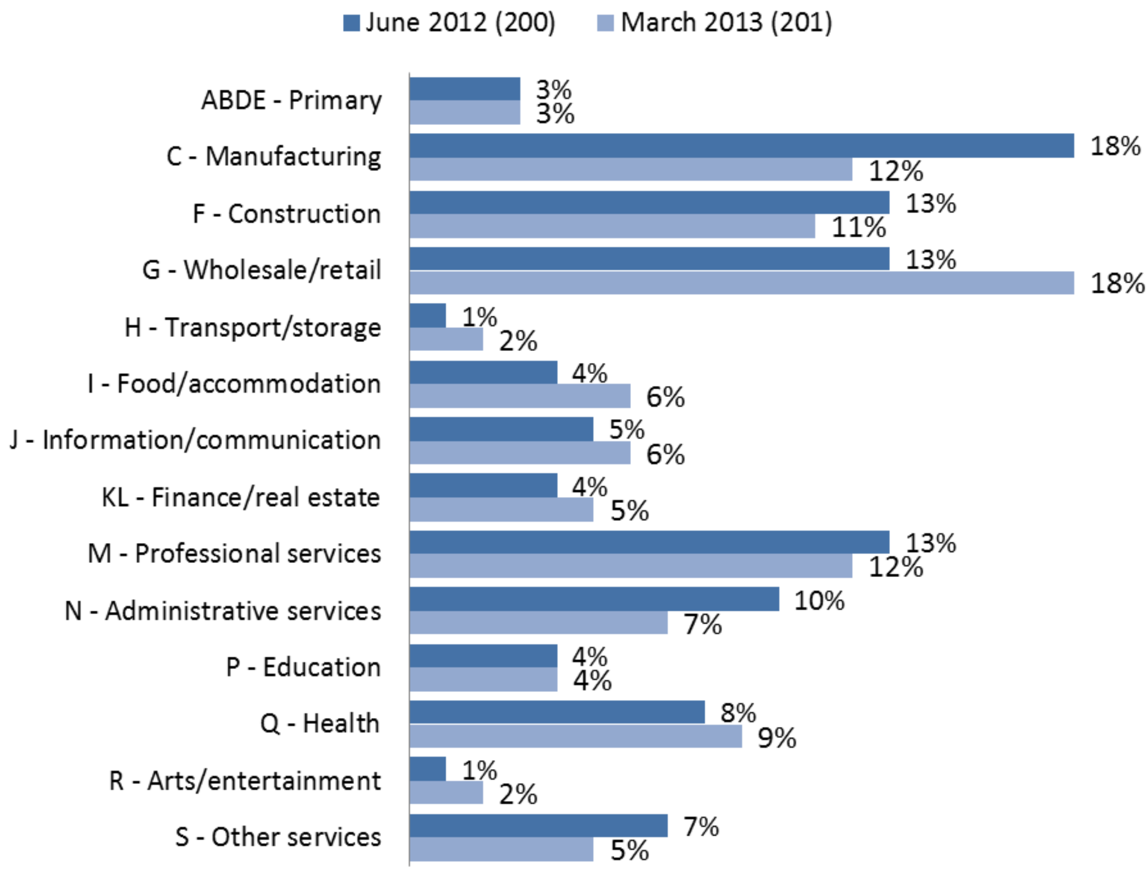
209. In addition to surveys of employers who had taken on AGE 16 to 24 Apprentices and re-survey of some of these employers, further telephone surveys were undertaken in June 2012 and March 2013 of employers, 200 on each occasion, who were registered as enquiring about the AGE 16 to 24 grant but apparently, not then going on to recruit an Apprentice with AGE 16 to 24 support.

210. The main purposes of these surveys were to explore the reasons why these employers did not go ahead and what factors might have changed their decision.

Non-engaged employer profile

211. The sectors in which non-engaged employers operate is set out in the following chart. Comparison of this distribution with that for engaged employers (Figure 1 earlier) shows broad correspondence, suggesting that employers who did and did not engage were not differentiated by sector – non-engagement did not occur because AGE 16 to 24 was less persuasive in some sectors than others:

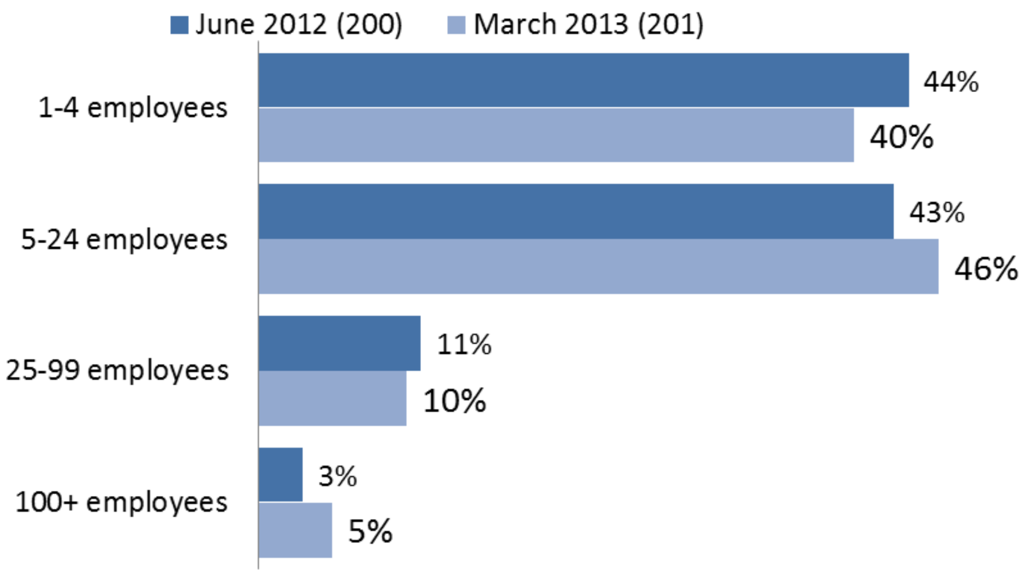
Figure 16: Sectors of non-engaged employers



Sample bases in parentheses

212. The size of workplaces, in terms of number of staff, was also examined. As with engaged employers, the majority were small and, again, it is not the case that employers did or did not carry through from their AGE 16 to 24 enquiry because AGE 16 to 24 was more or less attractive to some sizes of enterprise:

Figure 17: Employment in non-engaged employer establishments



Sample bases in parentheses

Enquiry about Apprenticeship

213. Reasons given for enquiring about Apprenticeships (as an unprompted question) were diverse, but were mainly concerned with the needs of the business for Apprentices or staff, with responses to marketing or prompting, or with concern about the needs of young people. Overall, only three per cent of respondents (4 per cent in the June 2012 survey and one per cent in the March 2013 survey) specifically and spontaneously gave awareness of a grant as a reason for their interest:

Table 29: Reasons why non-engaged employers enquired about Apprenticeship *

	June 2012 %	March 2013 %
Bases	200	201
Needed more staff	19	15
Looking for young/younger people/an Apprentice to train up/mould to our standards/be skilled	10	8
Wanted to offer an opportunity/experience/employment to a young/younger person	19	8

	June 2012 %	March 2013 %
It looked good/interesting/suitable for the business/I liked the idea/wanted to look into it/curiosity	12	8
Heard/read/saw about the Apprenticeship scheme in the media	7	7
Looking for help/support	8	5
Looking for people to train up/to our standards/be skills/can't find people with the right skills/experience	22	4
A young person approached the business/asked to be taken on/as an Apprentice	5	4
I needed to expand/start growing again after the recession	3	4
A suggestion/decision from within our company about Apprentices	3	4
Wanted a long-term member of staff/team	13	3
Wanted cheaper method of employment/value for money	6	3
Previous personal experience/success with Apprentices/Apprentice schemes	4	3
Other people's experience/success with Apprentices/Apprentice schemes	3	3
Another business/colleague told us about the Apprenticeship scheme	3	3
Wanted to train properly/through an Apprenticeship/a college	4	2
A friend told us about the Apprenticeship Scheme	2	2

	June 2012 %	March 2013 %
Need more/there's a lack of young/younger people in the industry/our company	3	1
Wanted a young/younger long-term member of staff	3	1
Heard/read about the grant/incentives	4	1
We are a family business/we wanted a successor who was a family member	2	1
Interested in employing/wanted to take on an Apprentice	4	1
An email regarding Apprenticeships	3	1
There is a lot of unemployment amongst young people	2	1

** Table is ordered on responses from the March 2013 survey*

The grant

214. Asked where they had found out about AGE 16 to 24, responses varied between the two surveys but the most frequent sources of information, on one or both occasions, include marketing literature, industry colleagues, the media in general, and, particularly, colleges or other training providers and internet searches.

215. Comparison of the distributions of sources of AGE 16 to 24 awareness for non-engaged employers (Table 30 following) with those for sources of AGE 16 to 24-awareness for engaged employers (Table 3 earlier) suggests that colleges and other training providers were more frequently a source for engaged employers:

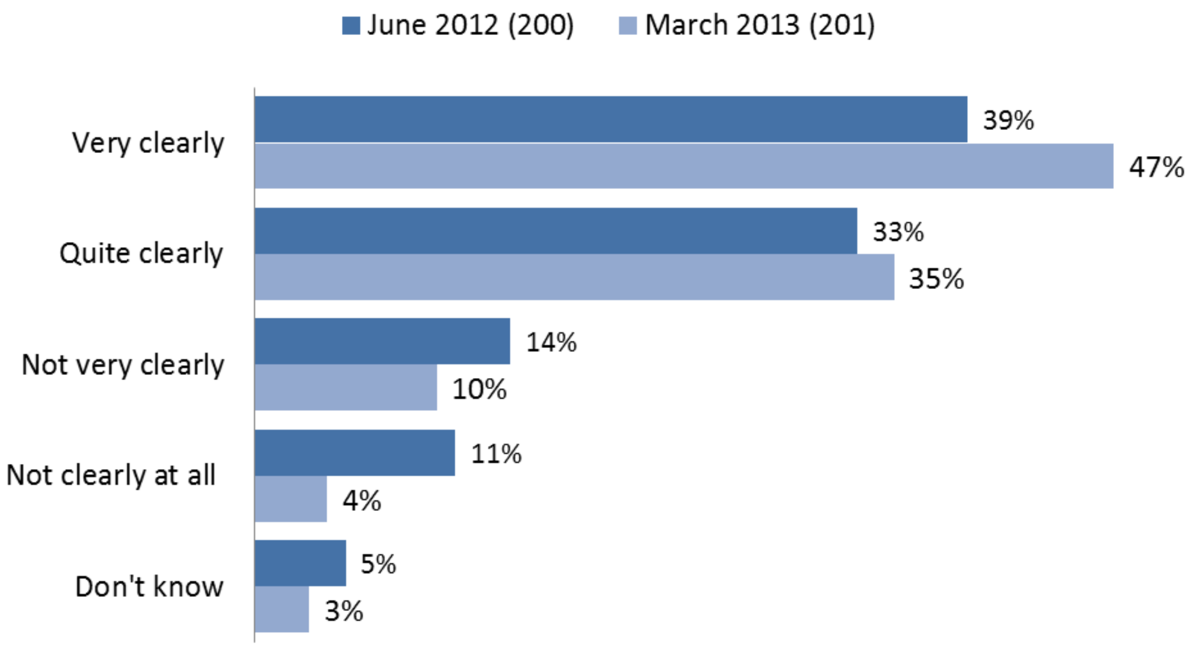
Table 30: How non-engaged employers became aware of AGE 16 to 24

	June 2012 %	March 2013 %
Bases	200	201
Saw marketing literature and applied	2	14
Head Office told you about it	1	2
A colleague or customer or supplier told you about it	10	5
A college or training company told you about it	15	30
Word of mouth	5	5
From the internet/internet research (inc. search engine i.e. Google)	24	20
Through the media	12	7
National Apprenticeship Service (NAS) website	3	3
Email (no other detail)	3	0
Direct contact with National Apprenticeship Service (NAS) (phone call/email)	6	0
Government website	3	3
Jobcentre	3	1
Business Link	2	0

	June 2012 %	March 2013 %
Other	14	10
Don't know	9	4

216. Mostly, non-engaged employers understood the grant with an at least reasonable degree of clarity, and the proportion not understanding it well or at all appears to have declined:

Figure 18: How well non-engaged employers understood AGE 16 to 24



Sample bases in parentheses

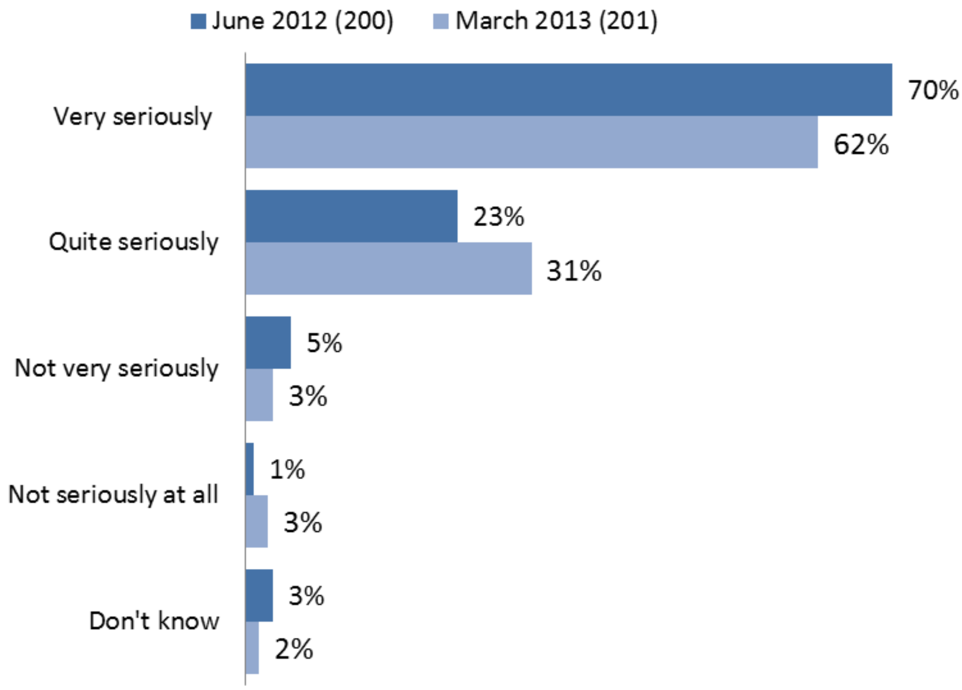
217. When asked specifically about their awareness of two specific characteristics of AGE 16 to 24, majorities of employers, but not all, were aware of the characteristics:

- 86 per cent of non-engaged employers were aware that the grant was of £1,500, 14 per cent were not.
- 79 per cent understood that the grant would be paid after 13 weeks of the Apprentice being in their Apprenticeship, 21 per cent did not.

218. Generally, it does not seem that non-engaged employers failed to engage because of lack of clarity or information as to how the grant operates.

219. Enquiries about Apprenticeship and AGE 16 to 24 were mostly serious ones. Only small minorities reported that their enquiry was otherwise:

Figure 19: Seriousness with which enquiring employers considered taking on an Apprentice supported by AGE 16 to 24



Sample bases in parentheses

220. That enquiries *were* serious is given further support by:

- The fact that 11 per cent of enquirers in the June 2012 survey and 19 per cent of enquirers in the March 2013 survey had subsequently gone on to recruit an Apprentice without assistance from AGE 16 to 24.

- The fact that a further 46 per cent (June 2012) and 40 per cent (March 2013) said they still planned to recruit an Apprentice as a result of their original enquiry with an expectation in many of these cases (95 per cent in August 2012 and 78 per cent in March 2013) that future recruitment would be supported by AGE 16 to 24. Fifty-two per cent of respondents in the June 2012 survey saying that they intended to recruit in future said they expected to do so within the next six months. This proportion was 71 per cent for respondents in the March 2013 survey.

Reasons for not recruiting

221. Reasons for not actually recruiting at the time of the original enquiry were varied but only small proportions mentioned ‘funding or grant or money issues’ (9 per cent in June 2012, six per cent in March 2013). Most reasons concerned candidates, factors concerned with the business itself, factors concerned with the characteristics of Apprenticeship, or perceived procedural failings:

Table 31: Why enquirers did not recruit Apprentices *

	June 2012 %	March 2013 %
Bases	200	201
No suitable candidate has been found	13	19
Company didn’t have enough work/hours	6	9
Cost/not financially viable/lack of funds	6	8
Lack of time/too many other commitments/too busy	11	7
It wasn’t the right time for the company	5	7
Funding/grant/money issues	9	6
Lack of follow-up/no-one called back/they lost contact with us	9	5
Candidate decided they didn’t want the Apprenticeship/to work here/do training	6	5
No relevant, specific, suitable training available	17	4
Other factors delayed our decision/still deciding	14	4
All scheme were unsuitable/not relevant for our business/we’re unconventional/didn’t fit the criteria for	6	4

	June 2012 %	March 2013 %
the scheme		
Procedure involved was too complicated/too much hassle	6	3
Employed the candidates/someone (i.e. it was easier/needed a full-timer)	5	3
Lack of candidates/no-one was interested	6	2
We don't send anyone on training courses/we train in-house	2	2
Lack of information/advice/details about the scheme	4	1
Lack of help/support/no-one interested	3	1
Scheme wasn't good enough/poor	2	1
It isn't allowed/practical to have an Apprentice in a business run from home	2	1
One-man band/too small	2	1

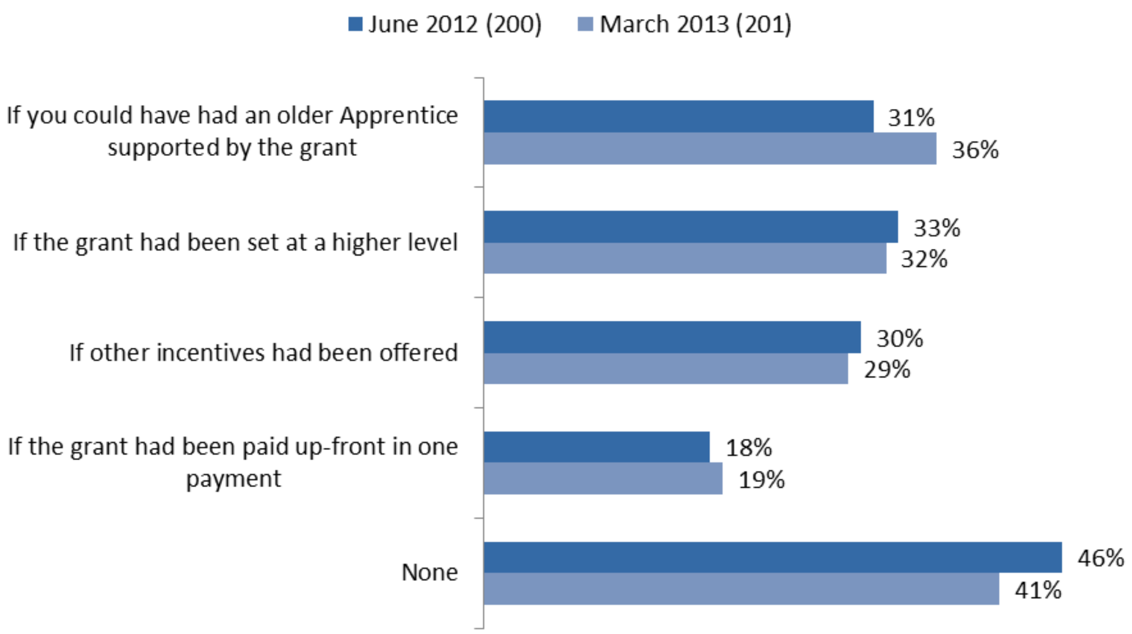
* Table is ordered on responses from the March 2013 survey

222. And again, when enquirers who had not recruited at the time of the enquiry and also did not intend to recruit in future were asked the reasons for this latter intention, reasons again mainly focussed on business conditions, standard of applicants, and Apprenticeship characteristics, not on factors directly concerned with AGE 16 to 24.

Changing employer decisions

223. Employers were also asked what would have reversed their decision not to recruit an Apprentice with AGE 16 to 24 support. The proportions saying that each of a set of factors suggested to them would have had that effect are set out in Figure 20, but for over four out of ten employers, none of the factors would have changed their minds:

Figure 20: Factors which would have reversed employer decisions not to recruit



Sample bases in parentheses

224. Employers who said that a higher level of grant would have reversed their decision were asked how much the grant would have to be to have achieved that effect. The amounts ranged up to £25,000 but the single most common figure overall was £3,000 whilst the arithmetic mean in June 2012 was £4,100 and in March 2013 was £3,900.

225. Employers who said that other incentives would have reversed their decision were asked, unprompted, what incentives would have that effect. In many cases, these respondents were not able to give a clear or any answer to this question but, where answers were readily classifiable, they mainly focussed (in the March 2013 survey) on subsidy for specific elements of Apprenticeship (support with equipment costs, seven per cent; support to the Apprentice wage, nine per cent; support to training costs, 12 per cent) or to improved services (better training services, 14 per cent; improved Apprenticeship programme or associated advice and support, seven per cent).

226. Finally, employers who had no plans to take on Apprentices in future were asked an open question as to whether any other factor would have changed their decision. The only factor mentioned by any significant proportion, ten per cent in this case, was the availability of better quality applicants.

Cost Benefit Analysis of AGE 16 to 24

227. The Cost-Benefit Analysis of AGE 16 to 24 examines the net benefit in respect to the investments made by Apprentices, employers and the public purse in AGE 16 to 24-supported Apprenticeships. The analysis draws on the existing evidence base on the impact of Apprenticeship training on earnings and employment (e.g. McIntosh, 2007; London Economics, 2011a; National Audit Office, 2012) and brings together findings from a range of other studies which allow development of a detailed account of costs and benefits for different stakeholders (Hogarth et al, 2012; Pfeiffer et al, 2009; Apprentice Pay Survey, 2012). The analysis is based on secondary data sources (Annual Population Survey and Labour Force Survey) and primary data generated for the current evaluation from the Individualised Learning Records system and from Apprenticeship Frameworks institutional information.

228. The analysis of costs and benefits of AGE 16 to 24 relies on an analysis of costs and benefits of Apprenticeships in general for each stakeholder, followed by a discussion of the costs and benefits that can be strictly attributed to the AGE 16 to 24 programme. This discussion also considers the issue of deadweight or additionality, which is crucial to accurate assessment of the costs and benefits of AGE 16 to 24: the net benefits of an Apprenticeship are the net benefits of AGE as long as the Apprenticeship has been created as a result of AGE.

229. At the point of measurement (May 2013)[27], 24,240 AGE 16 to 24-supported Apprenticeships had been delivered, and it is estimated that 78 per cent of all AGE 16 to 24-supported Apprenticeships were truly additional (i.e. would not have existed in the absence of AGE 16 to 24, based on an estimate from an employer survey question on deadweight). Among them, 24,339 were at Intermediate and Advanced levels, and these are the focus of the Cost-Benefit Analysis. Over 18,000 Apprenticeships were at Intermediate Level, and over 6,200 were at Advanced Level.

230. In order to undertake a cost-benefit analysis, the main sources of costs and benefits for various stakeholders need to be recognised. In particular, AGE 16 to 24-supported Apprenticeships can bring economic benefits to individuals in terms of improved employment rates and increased wages after achievement of the programme. This, in turn, can yield benefits to the Exchequer, given that improved earnings and employment rates increase income-related taxes and indirect taxation and reduce expenditure on out-of-work benefits.

[27] This is taken to be representative of the number of AGE 16 to 24 Apprenticeships in 2012-13.

Costs and benefits to Apprentices

231. Ideally, analysis of the causal impact of an educational programme would be carried out with experimental methods. Random assignment to the programme would allow the comparison of a participants group and a control group, and differences in earnings and employment rates after the programme could be causally attributed to the intervention. In the absence of this possibility, econometric methods need to be used to compare participants and non-participants. Here, the impact of Apprenticeships in terms of improved earnings and employment prospects was estimated using linear regression models of empirical human capital models in the Mincer (1974) tradition.

232. The method allows control of the observable characteristics of individuals and estimation of the average differences in outcomes between participants and non-participants, comparing people who have the same socio-demographic characteristics and prior qualifications. Our impact estimates differ from some of the evidence published by BIS on the returns to FE qualifications in two ways: a) we use more recent data for the period following the recent recession (based on the Annual Population Survey); and b) estimate returns relative to having qualifications at Level 1 only. The reason for the latter methodological choice is based on the fact that Apprentices supported by AGE tend to be very young, and are unlikely to have completed qualifications above that level prior to starting the Apprenticeship (see Appendix for more details on the methodology of this analysis and how it differs from previous work).

233. The findings suggest that people with Level 1 qualifications would earn 15 per cent more per hour in they achieved an Intermediate Apprenticeship. Moreover, their probability of being employed as opposed to unemployed would increase by seven percentage points. These effects are stronger in the case of Advanced Apprenticeships: earnings per hour would increase by 23 per cent and the probability of being employed as opposed to unemployed would go up by ten percentage points.

234. For the purpose of the Cost-Benefit Analysis, these positive impacts can be monetised and compared to the costs to Apprentices of doing an Apprenticeship. The main cost to participants is an opportunity cost incurred during the Apprenticeship, in the form of lower earnings relative to the wage they would earn in regular employment.

235. In the short term, participants in Intermediate Apprenticeships receive an average remuneration of £15,700. These Apprentices could earn an average wage of £24,600 during the period of the Apprenticeship if, instead, they had undertaken regular employment requiring only low qualifications. Therefore, in the short term, there is a cost to the Apprentice of £8,900. In the case of participants in Advanced Apprenticeships, which tend to have a longer duration, Apprentices obtain

remuneration of £27,000, and would have earned £42,400 in regular employment requiring only low qualifications during that period. In the short term, there is a total cost for these participants of £15,400. Whether these costs constitute a rational investment depends on whether there are net benefits in the long term.

236. In principle, there are no long term costs, but there are long term benefits. In particular, as estimated above, employment rates improve and earnings increase after achievement of the Apprenticeship programme. For the specific group of AGE 16 to 24-supported Apprentices of a very young age, compared to the general population of Apprentices, there is a longer post-Apprenticeship period and, therefore, substantially higher returns than for average Apprentices.

237. Based on our impact estimates as described above, and on the observed age of AGE 16 to 24 Apprentices, it is estimated that post-Apprenticeship lifetime earnings increase by £138,800 in the case of participants in Intermediate Apprenticeships, and by £211,000 in the case of Apprentices in Advanced programmes (in Present Values). However, not all Apprentices successfully achieve the qualification. Using achievement rates of 75 per cent and 79 per cent for Intermediate and Advanced Apprenticeships respectively, the Expected Net Present Values of total post-Apprenticeship benefits are estimated at £104,500 and £166,500, respectively. Subtracting the total costs to Apprentices from this (i.e. reduced earnings during the Apprenticeship) the Net Present Values of Apprenticeship benefits are estimated at £95,500 for Intermediate Apprentices and £151,000 for Advanced Apprentices.

Costs and benefits to employers

238. We also provide estimates of the impact of AGE 16 to 24 on employers' costs and benefits for the groups of AGE Apprentices (that is, as above, 24,339 individuals who undertook Intermediate and Advanced Apprenticeships) in the light of their specific programme characteristics (duration, guided learning hours and time spent in productive contributions). These characteristics were obtained from institutional information on Apprenticeship frameworks merged with data on AGE 16 to 24 Apprentices (as average characteristics were not sufficient to represent the specific programmes undertaken by AGE 16 to 24 Apprentices).

239. The largest *costs* which employers incur when they take on Apprentices are remuneration costs. Depending on the duration and level of the Apprenticeship, these costs range from £11,800 for Intermediate AGE 16 to 24 Apprentices who are 19-24 years old to £25,114 for Advanced AGE 16 to 24 Apprentices who are 16-18 years old. Generally, Apprentices' remuneration costs are higher for young Apprentices (16-18 year olds) because of the substantially longer duration of their Apprenticeship programmes.

240. Among other parameters that need to be estimated for the Cost-Benefit Analysis, the costs of supervision are particularly relevant. These depend on the duration of the Apprenticeship programme and the duration of learning time during the Apprenticeship, two parameters which vary substantially across frameworks. The findings from analysis indicate that supervision costs are higher for young Apprentices, as their frameworks generally require more Guided Learning Hours and/or higher complementary resources for supervision. Estimated supervision costs range between £7,600 for 19-24 years old Intermediate Apprentices to £21,000 for 16-18 years old Advanced Apprentices. Further costs for employers are also taken into account, including payments towards part of the course fees (between £500 and £600) and administrative costs (recruitment and human resource management costs of Apprentices, estimated at around £300).

241. The key *benefit* for employers during the Apprenticeship is the productive contribution of the Apprentice in the hours not spent on learning, which we valued using hourly remuneration costs of people with qualifications below Level 2. This yields estimates similar to those presented in Hogarth et al (2012), ranging from £13,400 in the case of 19-24 years old Apprentices in Intermediate programmes to £33,000 in the case of 16-18 years old Apprentices in Advanced Apprenticeships. As is the case in McIntosh (2007), the Apprentice product is higher than the supervision costs, but additional wages paid to Apprentices result in substantial net costs by the end of the Apprenticeship. Adding up the costs and benefits mentioned thus far shows that employers face net costs of between £6,700 and £12,500 depending on the duration and level of the Apprenticeship. The impact of AGE 16 to 24 is a reduction of the net costs to employers on completion of a successful Apprenticeship by £1,500. The upfront investments are likely to be at least compensated over time by increases in firm profitability from various mechanisms:

- Return to educational investment to employers ("employer rent")
- Savings in recruitment/induction costs
- Firm level effects/effects along supply chain etc.

242. If employer benefits are sustained beyond repaying the initial investment, these further benefits would increase the firms' profitability. However, given the limited empirical evidence on the magnitude of longer-term employer benefits, we use the wage gain to Apprentices, as earlier, as a proxy for the gain in total productivity. This approach is likely to underestimate the total productivity benefits, since employers may capture some of the benefits (e.g. Dearden et al, 2005, suggest a productivity gain of around double the wage gain to trainees in work-based training as a whole).

Costs and benefits to the economy

243. Based on the returns to individuals, it is possible to derive a *conservative estimate* of the value of social benefits to the economy from AGE 16 to 24. The estimate is conservative given that the long term, non-private returns to Apprenticeships associated with diffusion processes, economic growth, etc., cannot be taken into account. In other words, the benefits are solely derived from the microeconomic returns to Apprenticeship. Note, again, that our analysis is specific to AGE 16 to 24 Apprentices, whose relatively young age results in substantially longer post-Apprenticeship durations in the workforce than is the case for average Apprentices.

244. **Initial social costs** for every AGE Apprenticeship are estimated to be £14,500 for Intermediate and £16,900 for Advanced Apprenticeships, based on: (i) the lower output produced during the Apprenticeship compared to alternative employment; (ii) regular public funding of the off-site training element of Apprenticeships; and (iii) AGE 16 to 24 programme expenditure on the grant itself, which further increases initial costs.

245. **Present value benefits** are £104,500 for every Intermediate Apprentice and £166,400 for every Advanced Apprentice (expected values for Apprentices supported by AGE 16 to 24 multiplied by achievement rates). The greater benefits relative to the costs to society for every person successfully completing an AGE 16 to 24 Apprenticeship lead to a return of around £6 (Intermediate) or £9 (Advanced) per pound initially spent on Apprenticeships, once foregone output is included in the initial costs.

246. **Return to spending ratio:** Similar to McIntosh (2007), a ratio of present value of post-Apprenticeship benefits to initial fiscal spending (the costs of AGE grants and of state-financed off-site training during Apprenticeships supported by AGE) can be derived to obtain return-to-spending ratios for AGE 16 to 24. These are £23 per pound initially spent on AGE 16 to 24 for Intermediate Apprenticeships and £31 per pound initially spent on AGE 16 to 24 for Advanced Apprenticeships.

247. **Programme deadweight/returns net of deadweight**: The present value benefits are related to individual Apprentices but, as was found in the survey of employers, 22 per cent of the employers would have taken on Apprentices regardless of AGE 16 to 24. We use this information as a measure of pure programme deadweight of AGE 16 to 24, i.e. the extent to which the programme did not make a difference and returns were not created through AGE 16 to 24. Put differently, about 78 per cent of the AGE 16 to 24-supported Apprenticeships (and associated returns) are additional: they would not have existed without support from AGE 16 to 24. If we reduce the present value benefits accordingly, the returns per pound (initially spent on off-site training costs during the Apprenticeships and on AGE 16 to 24 grants would amount to £18 for Intermediate Apprenticeships supported by AGE 16 to 24 and to £24 for Advanced Apprenticeships supported by AGE 16 to 24.

Fiscal returns

248. Benefits to public budgets resulting from Apprenticeships supported by AGE 16 to 24 arise from greater income tax revenues and national insurance contributions. These returns are derived from expected increased lifetime earnings (in present values) as presented earlier and applying a tax rate of 30 per cent. Additional public revenues of £31,360 (Intermediate) and £49,900 (Advanced) per participant would accrue over the lifetime after Apprentices complete, over-compensating for the combined costs of initial direct spending on the programme (AGE 16 to 24 and off-site training costs) and of reduced revenues due to lower tax receipts and national insurance contributions during the Apprenticeships.

249. These estimates of the returns to the Exchequer are conservative as further substantial benefits cannot be taken into consideration, particularly reduced spending on out-of-work benefits. Benefits savings for public budgets affect both the period of the Apprenticeship (when people start AGE 16 to 24-supported Apprenticeships from unemployment) and later life due to improved life-time employment rates relative to people with lower levels of qualification.

Summary

250. The cost-benefit analysis shows that the various stakeholders involved in AGE 16 to 24-supported Apprenticeships face substantial costs in the short term. This however represents a rational investment for Apprentices, employers, the Exchequer and society at large. In the long term, the benefits arising from AGE 16 to 24 -supported Apprenticeships substantially surpass the costs. Available estimates of programme additionality suggest that AGE 16 to 24 is effective in increasing the number of Apprentices who employers recruit and, even after accounting for some programme deadweight, spending on the AGE 16 to 24 programme is found to be cost-effective.

Conclusions

Introduction

251. This final chapter draws evaluative conclusions from the evidence presented in earlier chapters. These conclusions are presented in sections which reflect the basic four constituents of many evaluations of public programmes – evaluation of process and delivery, of outputs, of outcomes, and of impacts of the AGE 16 to 24 Apprenticeship programme.

Process and delivery

252. The first point in respect of the AGE 16 to 24 programme's delivery is that an effective administrative process has operated which has managed the establishment of tens of thousands of grants and has worked, on the whole successfully, with an estimated two-thirds of England's Colleges and training providers (those with contracts with the Skills Funding Agency) and with a variety of Strategic Partners. Administration has, too, been flexible. It was able, just a few months into the programme's operation, to adjust the programme's eligibility criteria for the establishment of AGE 16 to 24 Apprenticeships and its payment terms in response to market signals.

253. Where other incentives to Apprenticeship formation other than AGE 16 to 24 have been available, mainly from Local Authorities, Strategic Partnerships involving these Authorities have increasingly allowed the local incentive and AGE 16 to 24 programmes to be co-ordinated and, in some cases, integrated via 'top-up of AGE 16 to 24' arrangements. Strategic Partners, although sometimes having to follow AGE 16 to 24's nationally-determined criteria and operating system when they would prefer various local flexibilities, describe their working relationships with AGE 16 to 24's management as good. Should NAS and the Skills Funding Agency wish, in future, to operate programmes other than AGE 16 to 24 which benefit from partnership with local agencies, then AGE 16 to 24's Strategic Partnerships may form a starting point for this or, at least, valuable experience has been gained of the issues involved in co-ordinating national and local programmes.

254. Employers in the programme do not, other than in a very small minority of cases, report any undue bureaucratic burden from engagement with AGE 16 to 24 Apprenticeships and generally are satisfied with their involvement with the programme.

255. Against this generally positive picture of delivery, some caveats are noted.

256. First, there has clearly been an issue with the establishment of employer eligibility and with the payment of the grant. In the first case, the basic point has concerned difficulty in identifying if and when employers had previously had government-supported Apprentices. The difficulty is that providers and employers may believe that employers are eligible for AGE 16 to 24 when checks by the Skills Funding Agency find they are not. This is reported as causing some resentment amongst employers who believe they were misled or wrongly rejected, a circumstance which providers feel has sometimes had damaging effects on their employer relationships. The numerical scale of this issue was not established by the evaluation but discussions with providers and government officials suggest that, though individual cases continue to generate some heat, the number of disputed cases is quite small in relation to the programme as a whole, that their number may be reducing as the programme has become more established and processes more clearly understood by providers, and that better arrangements are now in place for handling disputes and complaints where they arise.

257. In the second case, the basic issue has been that the 13 week point into the Apprenticeship at which employers qualify for grant payment has been misunderstood by some employers as being the point at which they will receive the grant – when, in fact, administrative processes mean that payment usually occurs some weeks later. Again, this was reported by providers as causing employer resentment. There was evidently some failure of communication such that some providers misled some employers. Whether the failure was of providers who didn't hear Skills Funding Agency messages and/or did not pass them on effectively to employers or whether the messages were initially unclear depends on respondents' (in evaluation interviews) viewpoints. The evaluation did not seek to forensically investigate or adjudicate on this point: it is recognised that management of employer expectations is now generally in place and employer surveys in the course of the evaluation show that later-than-expected payment was a relatively minor occurrence and caused few problems for employers if it did occur; and that these problems usually reflected employer irritation rather than taking the form of a significant impact on small business cash flows.

258. A further ‘process’ issue has concerned the question of whether unscrupulous employers could recruit Apprentices, receive the grant, and then cancel the Apprenticeship (given that there was no financial penalty providing the Apprenticeship had lasted 13 weeks). All stakeholder groups recognised this as a theoretical possibility. However, firstly, only one instance of this (noted earlier in the ‘provider’ chapter) was actually reported as happening (though it was also recognised that other instances may have been concealed by, or compounded with, employer cancellations of Apprenticeships because Apprentices, in the employer’s version at least, under-performed). Secondly, it was generally recognised by stakeholders that the effort of establishing and maintaining an Apprenticeship for a period of 13 weeks plus administrative time until the grant was received was hardly justified by a £1,500 payment. Even taking a cynical view of employer motivations (which stakeholders did not usually take) the rationale for unscrupulous behaviour on a wide scale appears weak. And, crucially, evidence from the evaluation’s follow-up survey of employers, up to 9 months into their Apprenticeships, suggests that the completion rate for AGE 16 to 24 Apprenticeships will be in line with usual completion rates for all 16 to 24 year old Apprentices.

259. In delivery terms, the commitment of the provider base to AGE 16 to 24 has been more limited than government officials hoped. Whilst a substantial number have embraced the grant enthusiastically and ‘run with it’, others have been lukewarm, and others have not engaged at all. Various reasons for this variation may apply, for example: (1)management costs and administrative hassles for providers but no direct income or management fee to compensate (although indirect recompense is achieved by the greater ease with which Apprenticeships can be established with AGE 16 to 24 support and consequent reduction in marketing costs); (2) sector specialisms of providers where local sectors are already ‘saturated’ by Apprenticeship and relatively few eligible and ‘untapped’ employers are available; (3) uncertainty about the longevity of the programme and unwillingness to engage in what may be only a transient input to provider operations. However, whilst these factors may well all impact on the programme (and could, in principle, be addressed in various ways by programme design), they have, not as noted earlier, prevented the programme from operating successfully and stakeholders mostly take the view that the greater constraint on employer take-up of AGE 16 to 24 is lack of demand in difficult trading conditions for Apprenticeship, more than a supply failure deriving from lack of provider support.

260. Finally, in respect of AGE 16 to 24 processes, whilst, earlier, a broadly positive picture of the involvement of Strategic Partners in AGE 16 to 24 delivery was presented, it should also be noted that there are concerns amongst government officials that, in cases where Partners have been contracted to establish and manage agreed target numbers of AGE 16 to 24 Apprenticeships, there has been very slow progress by the Partners towards the targets. This is an on-going issue at the time of the evaluation which remains to be resolved and which may have negative implications for the ‘contracted’ Partner model for the future.

Programme outputs

261. The AGE 16 to 24 programme:

- Has delivered approximately 29,000 AGE 16 to 24 Apprenticeships in the 2012-13 financial year.

- It has exceeded its target that at least half of the Apprenticeships supported by the grant should be held by 16 to 18 year olds.

- It has greatly exceeded its target that at least half of the Apprenticeships supported by the grant should be with employers who have 50 or fewer employees.

262. Whilst the overall target for the AGE 16 to 24 programme to deliver 40,000 supported Apprenticeships in the 2012-13 financial year has not been met, it may be recognised that the target was somewhat arbitrarily determined by a mix of funding availability and a sense of what might be achievable in difficult economic conditions – in which employers were unwilling to make the commitment to a period of investment in training which Apprenticeship represents and in which it was difficult, generally, to maintain the flow of Apprenticeship opportunities for young people.

263. The programme has performed strongly in agriculture and related activities, construction, and engineering/manufacturing sectors, in the sense that much higher proportions of AGE 16 to 24 Apprenticeships are located in these sectors than is the case for Apprenticeship more widely. In as much as these sectors are regarded by government policy as a priority, AGE 16 to 24 may be viewed as having made a contribution towards the success of that policy.

264. Strong performance in these production sectors may also, at least partially, account for the relatively high proportion (compared with standard Apprenticeships) of AGE 16 to 24 Apprenticeships for young men. Given that both employment and standard Apprenticeships in these sectors remain heavily ‘gendered’ in favour of men, it is likely that AGE Apprenticeships have followed this pattern.

265. Finally, in respect of programme outputs, it is noted that London, and to a much lesser extent the South East region, has not only a much lower number of Apprenticeships in general than the scale of its economy might predict, but a share of AGE 16 to 24 Apprenticeships which is further below its share of standard Apprenticeships. Various factors may be implicated in these relationships, including London's limited scale of activity in sectors which form the home of 'traditional' Apprenticeships and the relative wealth and economic success of London and its hinterland which offers more and initially more rewarding opportunities for young people. However, stakeholders in the evaluation, focussing specifically on AGE 16 to 24, suggested that the key point was that a 'London weighting' to AGE 16 to 24 might be valuable as a greater incentive to employers, allowing them to pay Apprentices at a more attractive rate, thus assisting Apprentice recruitment and retention. In the course of the evaluation, a supplement for a fixed number of Apprentices taking the London incentive to £3,000 per Apprentice has been provided by the Greater London Authority, reflecting this stakeholder viewpoint.

266. In assessing programme outputs, as described in outline above, it is also necessary to consider the discount which needs to be applied to account for deadweight in the programme – the Apprenticeships which [despite the statements which AGE 16 to 24 employers are required to make that they would not have recruited the Apprentice(s) without the grant] would have occurred anyway.

267. This is quite difficult to assess for the AGE 16 to 24 programme because Apprenticeship itself and AGE 16 to 24 support are marketed to employers as a package: it is seldom the case that employers become aware of the grant in isolation and pursue Apprenticeship as a simple consequence of its availability; and neither Apprenticeship managers in NAS and good providers actually want employers in the programme who are solely motivated by the grant without their participation being underpinned by a real business case and/or a motivation to offer opportunity to a young person.

268. For this reason, the best estimate of deadweight may be the proportion of AGE 16 to 24 employers who, in the latest evaluation survey, said that the AGE 16 to 24 grant made no difference to taking on an Apprentice at the point at which they did so. This measure reflects the views of stakeholders, including government officials, providers, and Strategic Partners, that AGE 16 to 24 usually operates as a trigger or tipping point: not one which shifts employers' basic motivations, since Apprenticeship is a much greater cost and commitment than £1,500 simply as a cash sum can fundamentally alter, but one which persuades employers to commit at a particular point in time. Given AGE 16 to 24's role in combating the pressing problem of youth unemployment this was widely regarded by stakeholders as a wholly adequate programme metric.

269. Using this measure, the survey suggests deadweight in the programme of 22 per cent (or, put the other way, the programme has additionality of 78 per cent). The 22 per cent figure has been used in estimates of programme impacts derived from the econometric analysis incorporated in the evaluation and reported earlier.

270. In support of this estimate, employer surveys also suggest:

- Most employers in the programme (85 per cent in the March 2013 survey) had *never* previously had government-supported Apprentices.

- Only small proportions of employers (between 11 per cent and 13 per cent in the three evaluation surveys of employers) said that grant support would not have any influence on *future* decisions as to whether to recruit young Apprentices or not.

Programme outcomes

271. Programme outcomes cannot be definitively assessed because AGE 16 to 24 is still fairly new and many grant-supported Apprenticeships are still on-going. However, some can be identified:

- Although, as above, many AGE 16 to 24 Apprenticeships are on-going, employer views of the likelihood of completion (up to 9 months into Apprenticeships) and actual completions to date, suggest an AGE 16 to 24 completion rate of 75 per cent-80 per cent, in line with completion rates for standard Apprenticeships.

- Employers engaged in the AGE 16 to 24 programme (and mostly, as above, new to Apprenticeship) are positive about the future recruitment of young Apprentices, a pointer to successful enlargement of the 'Apprentice employer' population.

- Where eligible employers do not engage with AGE 16 to 24, it is almost always because of inability to make Apprenticeship work for the business at a particular point in time or because they can't find a suitable Apprentice, not because of perceived failings in the AGE 16 to 24 grant system. Many of these employers have already employed, or say they expect to employ, Apprentices.

- If the earlier point, about the possible future value of Strategic Partnerships, is taken, then the establishment of Strategic Partnerships as part of the AGE 16 to 24 delivery process may constitute a foundation for fruitful partnerships in other skills policy areas in future – a positive outcome for NAS and the Skills Funding Agency (although these agencies note that AGE 16 to 24 Strategic Partnerships based on 'ring fenced' arrangements are more likely to constitute guidance for the future than are 'contract' models of Strategic Partnerships).

272. A final outcome which may be noted is that consultation with providers, Strategic Partners, and employers each indicate, in various ways, that AGE 16 to 24-type incentivisation may now be sufficiently well-recognised amongst Apprenticeship-sensitive employers as to have created some level of market dependence on incentivisation, or, at least, an expectation of continuing grant availability; and that this may be at a level where withdrawal of the programme needs to be carefully managed if numbers of Apprenticeship opportunities for young people are not to fall back significantly.

Programme impacts

273. Cost-benefit analysis shows that the various stakeholders involved in AGE 16 to 24-supported Apprenticeships face substantial costs in the short term. This however represents a rational investment for Apprentices, employers, the Exchequer and society at large. In the long term, even allowing for some deadweight in the programme, the benefits arising from AGE 16 to 24-supported Apprenticeships substantially surpass the costs.

274. In summary benefits comprise:

- For AGE 16 to 24 Apprentices, lifetime net earnings benefits from completion of an Intermediate Apprenticeship are estimated as being £95,500 and from completion of an Advanced Apprenticeship as being £151,000

- For employers, net benefits arise from additional productivity which accrues to them after they have met their share of Apprenticeship costs and after post-Apprenticeship wage costs are accounted for. These benefits are dependent on the period in which employment of the Apprentice after the Apprenticeship is sustained and on the value of the ‘excess’ productivity, which is quite varied between different sectors. Because of these uncertainties, financial estimates of employer benefit have not been made. However, other authors have suggested that, on average, about half the productivity gain from work-based learning is absorbed by additional wage costs, the other half accruing to the employer. If this holds true in this case, then significant benefits will result for employers who host AGE 16 to 24 Apprenticeships.

- For the economy, it is estimated that there is a net return to the state on Intermediate Apprenticeships supported by AGE 16 to 24 of £18 per pound spent; and that there is a net return to the state on Advanced Apprenticeships supported by AGE 16 to 24 of £24 per pound spent.

- In fiscal terms, it is estimated that additional public revenues per Apprentice of £31,360 (Intermediate Apprenticeships) and £49,900 (Advanced Apprenticeships) accrue to the Treasury over the lifetime after Apprentices complete [as tax and National Insurance receipts over-compensate for the combined costs of initial direct spending on the programme and of reduced revenues due to lower tax receipts and national insurance contributions during the Apprenticeships]. These estimates are conservative because they do not include additional Exchequer gains from the reduction in lifetime welfare benefit payments which can be assumed to result from Apprenticeship completions.

Cost-Benefit Analysis – Technical Appendix

The purpose of the Cost-Benefit Analysis presented here is to understand the impact of the Apprenticeship Grant to Employers (AGE 16 to 24) on employers' decisions to take on Apprentices, as well as assessing the benefits that the programme brings to Apprentices, employers and the economy as a whole. The analysis presented here:

- Assesses the impact of AGE 16 to 24 on the costs faced by employers in taking on Apprentices
- Updates previous estimates of the wage and employment returns to Intermediate and Advanced Apprenticeships, using the latest data from the Annual Population Survey;
- Estimates the net economic benefits for Apprentices, employers and the public budget. From the perspective of public investment, the analysis of the cost-effectiveness of the AGE 16 to 24 programme requires the estimation of individual effects of Apprenticeships over the entire working life, as well as attention to the issue of additionality or deadweight. Taking these into account, measures of the net economic benefits for every government pound invested are presented.

The analysis drew on the existing evidence base on the impact of Apprenticeships training on earnings and employment (e.g. McIntosh, 2007; London Economics, 2011a; National Audit Office, 2012) and brought together findings from a range of studies which allow to develop a detailed account of costs and benefits for different stakeholders (Hogarth et al, 2012; Pfeiffer et al, 2009; Apprentice Pay Survey, 2012). The analysis was based on secondary data sources (APS and LFS) and primary data generated for the current evaluation. The results point to substantial net benefits arising from Apprenticeships programmes in general and from AGE 16 to 24 support in particular.

Introduction

Successful Apprentices are more productive than people with qualification levels below the level of Apprenticeships, for example those with qualifications 'below NQF-2' or 'no qualifications' at all. This individual wage premium (or 'return to the educational investment') is the principal parameter from which to understand costs and benefits of Apprenticeships for individuals and society. From the perspective of the Exchequer, increased earnings result in higher income-related taxes and national insurance contributions, savings due to reduced out-of-work benefit payments and higher indirect taxes by increased incomes and consumption, which are likely to generate a net fiscal benefit resulting from the AGE 16 to 24.

In this chapter, estimates are presented of wage returns to Apprenticeships and increased probability of being employed based on Annual Population Survey data, which we use in order to model costs and benefits of AGE 16 to 24 Apprenticeships to apprentices, employers, public budgets and society at large.

Apprenticeships supported by AGE 16 to 24

24,420 apprentices were supported by AGE 16 to 24 until end of March 2013, only 80 starting Higher Apprenticeships. Since very little is known about the benefits of Higher Apprenticeships, we focus on participants undertaking Intermediate and Advanced Apprenticeships. A breakdown of this group by age and level is shown in Table A1 (excluding one person without known age). About a quarter (N=6,221) of the AGE 16 to 24 Apprentices started an Advanced Apprenticeship, while about 75 per cent began an Intermediate Apprenticeship. About half of the AGE 16 to 24 Apprentices were 16-18 years old (N=11,717), but the share of people starting an Advanced Apprenticeship is lowest for the young age group (20 per cent). The records also include a small number of AGE Apprentices who were older than 25 when they started their Apprenticeship and likely to have been accepted on the programme before their 25th birthday.

Table A1: Apprentices supported by AGE 2012-13 by levels and age groups

Level		16-18	19-24	Total
Intermediate	Total	12,532	5,586	18,118
	% of age group	77%	69%	74%
Advanced	Total	3,687	2,534	6,221
	% of age group	23%	31%	26%
Total		16,219	8,120	24,339

Source: ILR, The Data Service

The time Apprentices spend in on- and off-the-job training and the time required by supervisory staff to look after them constitute important parameters in order to estimate the costs of Apprenticeships for firms. This, in turn, is essential to understand how AGE 16 to 24 can affect employer decisions. Duration, guided learning hours (GLH) and ordinary working time devoted to production for the firm are not available from ILR data and vary substantially across frameworks. These parameters are estimated based on institutional information from Apprenticeship frameworks (AFO Online Library) merged onto specific characteristics of AGE 16 to 24 Apprentices. Salient points of this piece of information include:

- The Apprenticeships undertaken by participants in the 16-18 age group tend to be of longer duration (16.7 months in the case of Intermediate Level and 29.7 months in the case of Advanced Apprenticeships) than those among participants over 18 years old (Intermediate: 15.2/ Advanced: 25.4 months).

- The minimum number of Guided Learning Hours (GLH) for the full duration of the programme is higher for 16-18 years old Apprentices at both levels, compared to those aged 19 and over. Programmes at Intermediate Level have an average of 685 GLH, equivalent to 493 GLH per annum for the 16-18 year olds, compared to 602 for the group 19+. Advanced Apprenticeships for 16-18 year olds have an average minimum GLH of 900, compared to 820 for the age group 19+. These figures far exceed the minimum of SASE standards (280 GLH per annum).

The time spent on supervision needs to be estimated, as there is no systematic information related to this. For this purpose, a multiplier was calculated benchmarking supervision costs for each Apprenticeship framework using available evidence (see Hogarth et al., 2012 and Appendix 3 of the Technical Paper). Findings from these estimations indicate that 16-18 year old apprentices involved in Advanced Apprenticeships require supervision time of almost 1,000 hours, while Intermediate Apprenticeship participants require less than half.

Wage and employment impacts of Apprenticeships

A number of recent evaluation studies show empirical estimates of the benefits of Apprenticeships in UK in terms of wages and employment (McIntosh, 2004; McIntosh, 2007; London Economics, 2011a; London Economics, 2011b; National Audit Office, 2012). The current analysis provides updated econometric estimates on the impact of apprenticeships using a methodology similar to that of previous studies based on cross-sectional data and published by BIS and other. At the same time, there are some methodological differences, aimed to address potential weaknesses of previous work by means of adopting a slightly different perspective in certain methodological decisions. Often, some of these decisions are not straightforward and arguments can be found if favour of adopting different approaches. In this sense, ours is not necessarily better; however, we believe that it is positive to consider different methodological approaches in order to see whether previous findings are corroborated.

The first methodological aspect in which this study differs to others relates to the dataset used. While previous work with similar purposes has been based on the Labour Force Survey, this study uses the Annual Population Survey (APS). This dataset provides a much larger sample size, avoiding the need to pool data from several years. Another difference relates to the way in which people having completed an apprenticeship are identified. London Economics (2011a) presented impact estimates of Foundation, Advanced and Trade Apprenticeships, with small sample sizes in the LFS for the first two types. In this paper we adopt a different perspective: we attempt to measure the impact of Level 2 apprenticeships (proxy for Intermediate Apprenticeships) and Level 3 apprenticeships (proxy for Advanced Apprenticeships) taking into account all people in the APS sample who have a “recognised apprenticeship”, combining this information with that related to the highest qualification held. Following previous studies (McIntosh, 2007; London Economics, 2011a), and in order to approximate as much as possible a situation in which achievement of the apprenticeship is the only characteristic in which people differ, a number of filters and control variables are used. People who have obtained Higher Education qualifications or those at A/A2/AS levels were excluded. In addition to other socio-demographic characteristics, a set of 31 dummy variables was used to control for all the qualifications held by each individual (i.e. the analysis not only controls for the highest qualification achieved, but for the whole structure of qualifications obtained).

Finally, an important methodological difference compared to previous studies relates to the baseline category or comparison group used in our analysis. Previous studies (McIntosh, 2007; London Economics, 2011a) use people with Level 1 or 2 qualifications as the baseline group to estimate the effects of Level 2 Apprenticeships, and people with Level 2 qualifications as the baseline group for the effects of Level 3 Apprenticeships. However, given that both Intermediate and Advanced Apprenticeships supported by AGE are often started by young people whose initial levels of qualification are below Level 2, the estimates presented here are obtained using a comparison group of people with Level 1 qualifications and no apprenticeship completed.

Two models were run separately to estimate the earning returns associated with having achieved a recognised Apprenticeship among people whose highest qualification is at Level 2 (first model) and among people whose highest qualification is at Level 3 (second model). Given the filters and control variables mentioned above, these estimates can be regarded as an approximation of the impact of Intermediate and Advanced Apprenticeships, respectively. The same was done in order to estimate the effects of Apprenticeship achievement on the probability of employment. Table A2 summarises the impact estimates of all four models.

Table A2: Effects of Apprenticeship achievement on earnings per hour and the probability of being employed

	a) Effect on earning per hour (percentage change)	b) Effect on the probability of being employed (percentage points change)
Level 2 qualification	0.060	0.039
Interaction: Level 2 qualification X Recognised Apprenticeship	0.091	0.028
Total Effect:	**0.151**	0.067
Level 3 qualification	0.155	**0.074**

	a) Effect on earning per hour (percentage change)	b) Effect on the probability of being employed (percentage points change)
Interaction: Level 3 qualification X Recognised Apprenticeship	0,074	0,023
Total Effect:	**0,229**	**0,097**

All estimated coefficients are statistically significant at 1% significance level
Base category is people with Level 1 qualifications only in both models

Source: Annual Population Survey, own estimations.

In Table A2, the first row contains the estimated effect associated with having a Level 2 qualification as the highest qualification, compared to having Level 1 qualifications only. Row four provides the same information for Level 3. The second and fifth rows present the effect associated with having achieved, *in addition,* an Apprenticeship. The relevant parameter for the cost-benefit analysis is presented in the *total effect* rows, which equals the sum of the previous two estimates of each model. This gives the estimated impact of achieving Intermediate Apprenticeships and Advanced Apprenticeships (Level 2 and Level 3 in the table, respectively) relative to not having achieved an Apprenticeship and remaining at below Level 2 qualifications.

These estimates indicate that people with Level 1 qualifications would earn 15 per cent more per hour if they achieved an Intermediate Apprenticeship, and 23 per cent more if they achieved an Advanced Apprenticeship. These can be compared with the estimates produced by London Economics (2011a) of 12 per cent and 22 per cent respectively. Part of these larger effects is likely to be due to the different comparison group, which in our case is a group with lower qualifications.

Their probability of being employed as opposed to unemployed would increase by seven percentage points if they achieved an Intermediate Apprenticeship and by ten percentage points if they successfully achieved an Advanced Apprenticeship. These are lower than the London Economics (2011a) estimates (ten and 14 percentage points increase, respectively), mainly because our time period is affected by the impact of the recession and due to some methodological differences (we do not exclude inactive individuals from the comparison group).

Deriving values for costs and benefits

Costs and benefits are relevant both during the time it takes individuals to undertake an Apprenticeship and in the longer term. They affect those involved in Apprenticeship provision (employers, apprentices and the state) differently and costs and benefits have to be valued in present and future values. This section briefly outlines the costs and benefits that would need to be accounted for in a comprehensive cost-benefit analysis. An extensive description of the methodology, its scope and limitations can be found in the Technical Paper.

Employers

It is difficult to capture all relevant Apprenticeship costs for employers (see Hogarth, 2012 and Pfeiffer et al., 2009 for the German case), but the most relevant costs are:

- Staff costs for Apprentices: wages, National Insurance Contributions by employers, discretionary payments or pension contributions.

- Staff costs of supervisors: wages, related employer National Insurance Contributions, discretionary payments or pension contributions.

- Other costs: set up costs, learning materials/other consumables, administrative and recruitment costs, training workshops in house or course fees if not paid for by the government.

On the other hand, there are substantial benefits to firms, both while people work as Apprentices and following successful completion of the Apprenticeship:

- Productive contribution during the Apprenticeship ('Apprentice product')

- Reduced recruitment costs for skilled workforce, relative to the cost of regular workers with similar qualifications

- Further benefits such as saving of downtime due to lack of skilled staff, a better public image, improved attractiveness for talent because of the training opportunity offered in Apprenticeships, further firm effects when combining Apprentice training with further training for existing staff, etc.

An important benefit from Apprenticeships is a 'return to investment' for employers, which implies that some of the productivity gain resulting from a successful Apprenticeship is causing both an increase in wages, once Apprentices are fully qualified, as well as some post-Apprenticeship gains to the employers. This mechanism is crucial to understand why employers engage in Apprenticeships.

Apprentices

For an Apprenticeship participant, there are direct costs as well as opportunity costs (i.e. gains from alternative activities not undertaken). Two types of costs can be distinguished:

- Costs with clear monetary values: 'opportunity costs' for Apprentices in the form of lower wages, relative to the wage they could earn if they were not undertaking an Apprenticeship. Alternatively, if people claimed out-of-work benefits, losing such benefits would equally constitute a clear cost with monetary value.

- Costs without a clear price tag, such as the loss of leisure time because of engagement in structured learning activity (which is likely to exceed weekly working times), the effort of learning and achieving outcomes and further costs (increased pressure/anxiety, expectations, etc).

Benefits of both types can also be identified:

- Clear monetary benefits from Apprenticeships, such as the Apprentice's wage during the Apprenticeship, potentially complementary public in-work benefits such as Working Tax Credits/Child Tax Credit (these are unlikely to be relevant given that most participants are young people) and improvements in post-Apprenticeship wages and employment probabilities (as estimated above).

- Non-monetised benefits: increased happiness/satisfaction that result from working in general, improved long-term wealth, health and family circumstances, improved socio-economic position and impacts on communities.

Society and public budgets

Relevant costs of Apprenticeships to society and public budgets are:

- Reduced tax/National Insurance Contributions during Apprenticeship compared to a counterfactual (regular employment in the present and less qualified employment in the future).

- Increased Working Tax Credit and other in-work benefits for people starting Apprenticeships from a status of benefits claimant, which represent additional costs for the public budget.

- Lower indirect tax revenues because of relatively lower incomes/spending during Apprenticeship.

- Funding of further education in relation to Apprenticeships (further education colleges and related tests/certificates) and the amount of AGE excluding further infrastructure and delivery costs for AGE (£1,500).

The largest gains for society arise in the long term, as productivity, wages and employment opportunities improve over time relative to the counterfactual outcome. For public budgets, these gains result in sustained revenue increases, which are likely to result in net fiscal benefits:

- Increased income tax/National Insurance Contributions on work income compared to alternative work income at lower levels of qualification or out-of work benefits, and higher indirect taxes because of higher consumption spending.

- Reduction of out-of-work benefits (and related housing and council tax benefit) as employment opportunities improve over counterfactual.

The evidence that is available to date suggests that the net benefits can be substantial in monetary terms, in particular in the longer term (e.g. McIntosh 2007; National Audit Office, 2012; London Economics, 2011). However, data related to all relevant costs and benefits involved is not available. For example, there are important lifetime costs associated with being NEET (Bell and Blanchflower, 2009), which some Apprentices will avoid as a consequence of engaging in training. This is associated with important gains at the level of the individual and society at large. However, without reliable estimations, these benefits cannot be incorporated in this analysis.

Results

Employers

Employers initial investment

The employer cost-benefit analysis presented in Table A3 is related to the Intermediate and Advanced Apprentices supported by AGE 16 to 24 in 2012-13 and the characteristics of their Apprenticeships. Apprentices' remuneration costs are higher for 16-18 year old Apprentices than for the age group 19+ at both levels (Intermediate: £13,173 compared to £11,767, Advanced: £25,114 compared to £20,971), mainly due to the longer duration of the Apprenticeship for young people. Similarly, there are differences in the costs for Apprenticeship supervision, which are higher for young Apprentices as their frameworks generally require more GLH and/or higher complementary resources for supervision. Further costs for employers are also included such as payments towards some of the course fees in addition to government funding and administration costs (recruitment/HR of Apprentices) as suggested by Hogarth et al (2012).

The key benefit for employers during the Apprenticeship is the productive contribution in the hours not spent on learning, which were valued using hourly remuneration costs of people with qualifications below Level 2. This yields an estimate coherent with those presented in Hogarth et al (2012). As is the case in McIntosh (2007), the apprentice product is higher than the supervision costs, but additional wages paid to apprentices result in substantial net costs by the end of the Apprenticeship.

The impact of AGE 16 to 24 is a reduction of the net costs to employers on completion of a successful Apprenticeship, which thereby increases the incentive to supply new vacancies. For example, the average net benefit to employers of Intermediate Apprenticeships supported by AGE 16 to 24 increased from -£8,215 to -£6,715 for the age group 16-18, reducing the upfront investment required. Similarly, employer investment in Advanced Apprenticeships decrease from £12,490 to £10,990 for the group 16-18. Because of full SFA-funding for further education during the apprenticeships, employers' net costs on completion of the Apprenticeship decrease more for the younger groups of AGE-supported Apprenticeships than the group 19+, whose further education is partly funded by employers.

Table A3: Costs and benefits for employers of Intermediate and Advanced Apprenticeships supported by AGE 16 to 24

	Intermediate AGE Apprenticeships, by age		Advanced AGE Apprenticeships, by age	
	16-18	19-24	16-18	19-24
Costs of Apprenticeship				
Apprentices' remuneration costs	£13,173	£11,767	£25,114	£20,971
Supervision costs	£8,664	£7,621	£19,462	£15,290
Course fees to firm	£498	£466	£608	£532
Administration costs	£277	£267	£349	£297
Benefits during Apprenticeship				
Apprentice product	£14,398	£13,397	£33,042	£26,403
Net benefit before funding costs and AGE 16-24 grant	-£8,215	-£6,743	- £12,490	- £10,686
Net benefit adjusted for further FE funding costs for Apprentices 19+ and AGE	-£6,715	-£7,406	- £10,990	-£9,186
Number of Apprentices with AGE	12,532	5,586	3,687	2,534

Source: ILR, The Data Service, AFO Framework library, Labour Force Survey data (Q4/2011), BIS Apprentice Pay Survey (2011), own calculations

Long-term benefits after Apprenticeship completion

The upfront investments are likely to be at least compensated over time by temporary increases in firm profitability through various mechanisms:

- Return to educational investment to employers ("employer rent")

- Savings in recruitment/induction costs

- Firm level effects/Effects along supply chain etc.

- Employer benefits

If employer benefits are sustained beyond repaying the initial investment, these further benefits would increase the firms' profitability. However, given the limited empirical evidence on the magnitude of longer-term employer benefits, we use the wage gain as a proxy for the gain in total productivity. This approach is likely to underestimate the total productivity benefits, since employers may capture some of the benefits (e.g. Dearden et al, 2005, suggest a productivity gain of around double the wage gain for work-based training).

Apprentices

Due to data restrictions, the cost-benefit analysis for programme participants has to be based on average characteristics of Intermediate and Advanced Apprenticeships rather than average characteristics of specific frameworks, as was the case in the cost-benefit analysis from the employers' perspective.

Table A4 shows costs and benefits for the period of the Apprenticeship for the duration of Apprenticeships supported by AGE 16 to 24 (assuming these are present values). In the post-Apprenticeship period, both earnings of former Apprentices calculated using the wage premium of Apprenticeships (estimated above) and wages of people with lower qualification levels (observed in APS) grow linearly in real terms at two per cent per annum (as in McIntosh, 2007). Using the discount rates of the Green Book (HM Treasury, 2003), of four per cent per year for the first 30 years and three per cent per year thereafter, we calculate the total present value of extra earnings of successful Apprentices over their lifetime relative to non-participants.

Based on the observed duration of Intermediate and Advanced Apprenticeships supported by AGE 16 to 24, the total remuneration over a period of time of equal duration is estimated for the counterfactual (i.e. participation in regular employment instead of an Apprenticeship) adjusting for average unemployment of the group with low levels of qualification. This would have amounted to £24,591 for an Intermediate and £42,398 for an Advanced Apprenticeship. In order to approximate the initial opportunity costs of Apprenticeships to participants, the lower Apprentice compensation earned by participants (Intermediate: £15,668, Advanced: £27,013) can be subtracted from the total earnings that would have been gained in regular employment.

In the long term, however, successful apprentices earn higher salaries which, over the lifetime, result in additional earnings of £139,000 in the case of Intermediate Apprenticeships and £212,000 for Advanced Apprenticeships (in present values). This lifetime wage premium more than compensates initial opportunity costs, even when adjusting for the risk that only 75 per cent (Intermediate) or 79 per cent (Advanced) achieve the Apprenticeship qualification, which corresponds to a formulation in expected values (EV) at the onset of the Apprenticeships.

Table A4: Costs and benefits for Apprentices (based on employment and wage impacts)

		L2	L3
Period of the apprenticeship (in PV)	Costs		
	Remuneration in alternative non-Apprenticeship employment of same duration	£24,591	£42,398
	Costs for FE	£0	£0
	Benefits		
	Apprenticeship remuneration	£15,668	£27,013
	Benefits on completion	-£8,924	-£15,385
Periods after the end of the apprenticeship (in PV)	Benefits		
	Increased life time earnings if achieved successfully	£138,803	£211,728
	Achievement rate	75%	79%
	Expected Value of Net Present Value	£104,519	£166,418
Total	Net Present Value net benefit	£95,595	£151,033

Source: ILR, The Data Service, AFO Framework library, Annual Population Survey (impact estimates), own calculations

Subtracting the initial investment made by individuals from the expected value of additional post-Apprenticeship lifetime earnings results in net benefits in present values of £95,600 for an Intermediate Apprenticeship and £151,000 for an Advanced Apprenticeship. This is a very positive finding and in line with figures published by McIntosh (2007).

Economy

Based on the returns to education to individuals, it is possible to derive a conservative estimate for the value of social benefits created by AGE 16 to 24 going to the economy (

Table). This is a conservative estimate given that the long term, non-private return to Apprenticeships associated with diffusion processes, economic growth, etc. cannot be taken into account. The return is solely derived from the microeconomic impact as presented for individual apprentices.

Initial social costs for every AGE 16 to 24 Apprenticeship are estimated to be £14,500 for Intermediate and £16,900 Advanced Apprenticeships, based on (i) the lower output produced during the Apprenticeship compared to alternative employment, (ii) regular public funding of Further Education and (iii) AGE 16 to 24 spending, which further increases initial costs.

In contrast, there are present value benefits of £104,500 for every Intermediate Apprentices and of £166,400 for every Advanced Apprentices (in expected values), as described above. The greater benefits relative to the costs to society for every person successfully completing an AGE 16 to 24 Apprenticeship leads to a return of around £6 (Intermediate) or £9 (Advanced) per pound initially spent on Apprenticeships.

If we express the present value of post-Apprenticeship benefits16 to 24 in relation to the fiscal spending on the programme only represented as the costs for AGE 16 to 24 and state-financed further education of Apprenticeship supported by AGE 16 to 24, similarly to McIntosh (2007), the return to fiscal spending on AGE 16 to 24 would be £23 (Intermediate Apprenticeships) and Apprenticeships and £31 (Advanced Apprenticeship) per pound initially spent. Assuming that only 78 per cent of all Apprentices supported by AGE 16 to 24 are genuinely additional and 22 would have created in the absence of AGE 16 to 24 as found in the AGE 16 to 24 employer survey, the return per pound initially spent on FE and AGE 16 to 24 would be £18 for Intermediate and £24 for Advanced Apprenticeships initiated by AGE 16 to 24.

Table A5: Social cost-benefit analysis

		L2	L3
Period of Apprenticeship (in PV)	Value contribution of alternative employment of same duration	£24,591	£42,398
	FE funding	£2,500	£3,300
	AGE 16-24	£1,500	£1,500
	Benefits		
	Apprentice product	£14,084	£30,338
	Benefits on completion	-£14,507	-£16,860
Periods after the end of the Apprenticeship (in PV)	Benefits*		
	Increased in output valued at life time remuneration increase (in EV)	£104,519	£166,418
Total	**Net Present Value net benefit**	£90,011	£149,558
Return per £ spent	Return per £ invested	£6.20	£8.87
	Return per £ on direct fiscal spending (FE and AGE)	£22.50	£31.16
	Return per £ invested (assuming deadweight of 22%)	£4.84	£6.92
	Return per £ on direct fiscal spending (assuming deadweight of 22%)	£17.55	£24.30

* Benefits are based on microeconomic return estimates, excluding further quantitative impacts on firm level profitability, non-private returns caused by externalities within the sector or the aggregate of the economy and the long-term impact on growth

Public budgets

As discussed earlier, benefits to public budgets resulting from Apprenticeships supported by AGE 16 to 24 arise from greater income tax revenues and national insurance contributions. These returns are derived from expected increased lifetime earnings (in present values) presented in Table A4, applying a tax wedge of 30 per cent. As shown in Table A6, this leads to additional public revenues of £31,360 (Intermediate) and £49,900 (Advanced) per participant over the lifetime after Apprenticeship completion.

Assuming that only 78 per cent of all Apprentices are genuinely additional, as suggested in the AGE 16 to 24 employer survey, the net of deadweight increase in public revenues is £24,129 for each Intermediate and £38,444 for each Advanced Apprenticeship participant. These figures can be put in relation to fiscal spending: Considering the investment in AGE and related Further Education funding, there is a return for the public budget of £4.70 and £6.70 per pound spent in Intermediate and Advanced Apprenticeships out of public budgets, respectively.

Table A6 Impact of Apprenticeships supported by AGE 16-24 on public budgets

		L2	L3
Period of the apprenticeship (in PV)	Costs		
	Net tax revenue (Tax-Benefit) from alternative employment	£7,377	£12,719
	FE funding	£2,500	£3.300
	AGE 16-24	£1,500	£1,500
	Benefit		
	Net tax revenue (Tax-Benefit) from Apprenticeship	£4,225	£9,101
	Benefits on completion	-£5,652	-£6,918
Periods after the end of the apprenticeship (in PV)	Benefit		
	Increased returns to public budget caused by increases in revenues	£31,356	£49,925
	Additionality assuming deadweight of 22%	78%	78%

		L2	L3
	PV of increased revenues to public budgets (net of deadweight)	£24,457	£38,942
Total	NPV net benefit	£18,805	£32,024
Return per £ spent	Return per £ invested	£3.33	£4.63
	Return per £ direct fiscal spending (FE and AGE 16-24)	£4.70	£6.67

* Benefits are based tax wedge applied to microeconomic return estimates, ignoring further indirect tax-increases caused by externalities, increased firm profitability and economic growth and savings from reduced out-of-work benefit payments due to lower unemployment rates.

Source: ILR, The Data Service, AFO Framework library, Annual Population Survey (impact estimates), own calculations

Conclusions

The impact of AGE on employers

The impact of AGE is a reduction of the net costs to employers on completion of a successful Apprenticeship, which thereby increases the incentive to supply new vacancies.

Employer costs are higher for younger Apprentices, who tend to engage in programmes of longer duration and/or which require higher complementary resources. By targeting small businesses, which are more likely to have cost constraints to engaging in Apprenticeships, and those which have not been involved in the programme for some time (12 months), AGE results in substantial cost reductions to businesses, which would otherwise not be able to take on apprentices.

This is consistent with the high additionality of the Apprenticeships created by AGE as found in the survey.

The impact of AGE on participants

The impact evaluation presented above indicates that successful Apprenticeship participants benefit from higher wages and better employment prospects. This reinforces previous analysis published by the Department. During the duration of the Apprenticeship, programme participants face opportunity costs: apprentices would earn higher salaries if they instead worked in regular employment.

Over the lifetime, however, higher wages associated with Apprenticeship achievement lead to net benefits in present value of £104,000 for Intermediate and £166,000 for Advanced Apprenticeships (Expected Values of Present Values) relative to qualifications at Level 1 for the specific group of young people supported by AGE.

The impact of AGE on the economy

The economic impact of the spending on AGE is high because of three reasons: A) There is a generally high present value return of Intermediate and Advanced Apprenticeships to the economy; B) Most of the Apprenticeships created by AGE are genuinely additional and C) While AGE increases the costs of Apprenticeships, in relation to the long-term benefits, this increase is fairly moderate.

We estimated social costs for every AGE Apprenticeship at £14,500 for Intermediate and £16,900 Advanced Apprenticeships, based on (i) the lower output produced during the Apprenticeship compared to alternative employment, (ii) regular public funding of Further Education and (iii) AGE spending. In contrast, there are present value benefits of £104,500 for every Intermediate Apprentices and of £166,400 for every Advanced Apprentices (in expected values).

The return to direct fiscal spending (AGE and further education) is £23 (Intermediate Apprenticeships) and £31 (Advanced Apprenticeship) per pound initially spent. Assuming that only 78 per cent of all Apprentices supported by AGE are genuinely additional, returns are lower at £18 (Intermediate Apprenticeships) and £24 (Advanced Apprenticeship) per pound initially spent.

Costs and benefits for the public budget

Social and fiscal cost-benefit analyses of AGE show initially reduced public budget revenues and increased spending relative to the counterfactual scenario (regular employment at lower skill levels), which represent an initial investment.

Due to the substantial wage and employment returns to Apprenticeships for Apprenticeship achievers, relatively higher lifetime earnings repay this investment three to five times over. Assuming that only 78 per cent of all Apprentices supported by AGE are genuinely additional, as suggested in the AGE employer survey, the net of deadweight increase in public revenues is £18,800 for each Intermediate and £32,000 for each Advanced Apprenticeship participant.

Our estimates of the returns to the Exchequer are conservative as further substantial benefits cannot be taken into consideration, particularly reduced spending on out-of-work benefits. Such savings to public budgets affect both the period of the apprenticeship when people start AGE-supported Apprenticeships from unemployment and the later life due to improved lifetime employment rates relative to people with lower levels of qualification.

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