The Guardian Jobs employers’ guide to apprenticeships

Our dedicated guide for all employers considering an apprenticeship scheme in their workplace
Welcome to the Guardian Jobs employers’ guide to apprenticeships

This guide is full of advice to help your business understand, and make the very most of, an apprenticeship scheme. It will also bring you up to date with new flexibilities in the funding system that could mean apprentices become a vital part of your company’s future.

Apprenticeships have played an important role in our economy since medieval times, when master craftsmen employed young people in return for training, bed and board.

Their contribution to business is just as essential today as it was in Shakespeare’s time, when the Bard shared his childhood home with several apprentices who were learning the art of glove-making from his father.

Recent studies show that modern, well-run apprenticeship schemes increase productivity and employee job satisfaction, as well as helping companies to recruit a more diverse workforce.\(^1\)

Crissi Williams, CEO of the Institute of Telecommunications Professionals (ITP), says that the schemes are vital for addressing the skills gap within her industry.

“The employer receives funding while employing fresh talent, and the employee gets to experience the workplace, learn on the job, qualify and earn money at the same time. It’s a win-win situation,” she says.

Despite the obvious benefits that come from employing apprentices, complexity and misunderstanding surrounding government funding has made some companies hesitate to get involved, resulting in a lower number of new entrants to schemes - and valuable funding being left unspent. This guide is designed to provide some simple answers and to inspire all employers to embrace the apprenticeship scheme.

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In recent years, successive governments have encouraged British businesses to invest in apprenticeship training in an effort to ease youth unemployment and resolve the skills gap in certain areas of industry.

In April 2017\(^2\), the government introduced the apprenticeship levy. This requires large and medium-sized businesses to pay into a fund (which is topped up by the government) that can be used to train apprentices. It’s worth noting that smaller businesses can also claim training funds for apprenticeships, even though they do not pay the levy.

Since the funding change, many businesses have introduced new apprenticeship schemes or expanded existing ones, using levy funding to train up a valuable new generation of skilled employees.

Insurance giant AXA, for example, has stopped all but one of its graduate training schemes so it can concentrate on its apprenticeship training. Communications giant BT is another example of a successful apprenticeship employer. And smaller businesses, charities and schools throughout the UK are also signing up to the scheme to train the workforce they need.

Although the overall number of people starting apprenticeships has fallen since the levy was introduced, the good news is that the percentage of new starters who complete their training, rather than dropping out part way through, has risen. Apprentices are also more likely to be training at an advanced level. More than half of those who started their apprenticeship training in the 2017/18 academic year are training at an advanced or higher level; advanced being equivalent to two A-levels, and higher being equivalent to a foundation degree\(^3\).

Ann Potterton, head of apprenticeships at BT, says the levy, and the move to offer higher-level apprenticeship schemes, is “incredibly important”.

“We think that the recent reforms and, in particular, the development of degree apprenticeships, will positively impact the quality and reputation of technical education in this country and we’re working hard to make that happen,” she says.

“We will continue to work with the levy and other employers to develop and champion programmes which support the development of digital skills at all levels.”

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3. [https://researchbriefings.parliament.uk/ResearchBriefing/Summary/5N06113#fullreport](https://researchbriefings.parliament.uk/ResearchBriefing/Summary/5N06113#fullreport)
Stephen Isherwood, chief executive at the Institute of Student Employers (ISE), agrees that using levy funds is well worthwhile. “Although the levy can take time to navigate, many employers are creating new talent pipelines to develop desperately needed skills,” he says. “Employers are benefitting from the new wave of apprenticeships.”

More recently, the government has introduced extra flexibility into the apprenticeships levy, specifically around the ability to transfer unspent funds to other businesses.

With the first deadline for spending levy funds fast approaching (April 2019), businesses that want to make the most of their funds need to act quickly to avoid losing their training budget.

Five reasons why your company should have an apprenticeship scheme

1. **To increase productivity**
   Numerous studies show that running an apprenticeship scheme is good for business. According to the government’s National Apprenticeship Service, employers that have an established apprenticeship programme have reported a 76% increase in productivity. Three quarters said that apprenticeships had improved the quality of their product or service⁴.

2. **To increase diversity**
   Employers who run an apprenticeship scheme say it allows them to recruit from a wider cross section of the population, reaching previously untapped pools of talent. As Sue Greenland, head of HR and reward at property group Landsec, says, “Working in property no longer requires you to have a degree or to have pursued a traditional university route. At Landsec, we’re passionate about embracing the diversity of thought that our apprentices bring to the business. Apprentices represent a huge pool of raw, untapped talent and I’d encourage every HR team to think about the benefits of bringing them into the workforce.”

3. **To offer a new perspective**
   Julie Dix, training and development manager for bed manufacturer Silentnight, says the company’s apprentices break down interdepartmental boundaries and help employees to think differently. “Recently, we had an apprentice start in labour planning in one of our factories. We had always done our planning in a certain way, but after a while she suggested a way that has worked much better and we are rolling it out throughout the business. Apprentices’ ideas are really beneficial.”

⁴. [https://www.apprenticeships.gov.uk/employer/benefits](https://www.apprenticeships.gov.uk/employer/benefits)
[https://cebr.com/reports/uk-to-gain-18bn-from-apprenticeships/](https://cebr.com/reports/uk-to-gain-18bn-from-apprenticeships/)
4. **To address the skills gap**
Sally Gilson, head of skills at the Freight Transport Association, says that apprenticeship schemes are an important component in her industry’s fight to train qualified employees. “We have a shortage of 50,000 HGV drivers,” she says. “We are great fans of apprentices here.”

5. **To make the most of available government funding**
Employers who pay the apprenticeship levy are advised to use it or lose it. The money is only available to your company to spend on training for two years after you have paid it in.⁵

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How to make the apprenticeship scheme work for your business

Understanding how the apprenticeship levy works is the first step towards using the scheme effectively for your business. Here are five of the most common questions asked by employers considering the scheme.

**Question one: How does the levy work, and do I have to pay it?**

If you are a larger business - which in this case is defined as a business with a pay bill of more than £3m - you should be paying the levy.

The amount you pay is 0.5% of your total pay bill, which includes all the payments you make that are subject to Class 1 secondary National Insurance contributions, such as wages, commissions and bonuses.

Employers receive a £15,000 allowance to offset against the amount they have to pay, so in some cases the levy payment may not cost you anything but will still give you funds to spend. The levy is paid monthly through the HMRC PAYE process⁶.

If you are a levy payer, you can access your funding through an online portal called the “apprenticeship service”. The money in your account will include the levy you pay plus a 10% government top up. This funding is then used to pay approved providers to train your apprentices. If they have not been spent, the funds expire 24 months after they have been added to the account.

Smaller businesses, whose total pay bill is under £3m, do not have to pay the levy. However, they can still access training funding (see question five below), and there are some options for funding to be transferred (see question four below).

**Question two: What is the best way for me to spend my apprenticeship levy money?**

The most effective use of the apprenticeship levy will depend on the particular skills needs of your business. The funding can only be used for apprentice training and end-point assessments from an approved provider.

However, employers can choose to become approved providers themselves if they want to deliver training to their own apprentices. The funds can be used to train either existing employees or new recruits as long as the training meets the approved standard or framework and the individual being trained...
meets the eligibility criteria (for more information, see the links at the end of this guide). Additional funds are also available for training younger apprentices, and there’s extra support for small businesses.  

Stephen Isherwood, at the Institute of Student Employers (ISE), urges employers to take a holistic view towards spending the levy, first assessing what skills are needed. “It’s vital to take a holistic approach to workforce planning and avoid looking at apprenticeships in isolation,” he says. “Consider the talent you need and look at a combination of programmes including apprenticeships, graduate schemes and internships. Planning for the longer term will deliver you a strong talent pipeline.”

Remember, as well as spending the levy on apprentice training, you’ll need to pay your apprentices. The current minimum wage rate is £3.70 per hour for those under 19 years old, and those over 19 who are in their first year. Apprentices over 19 who have completed their first year must be paid at least the minimum wage.

It is also worth noting that although the apprenticeship levy applies across the UK, apprenticeship training is a devolved policy and the apprenticeship service only applies in England. For information on training schemes for other areas of the UK, see the links at the end of this guide.

**Question three: What training services are available, and how do I choose the best one for my business?**

You can find approved training providers on the government website https://findapprenticeshiptraining.sfa.bis.gov.uk – you can search for accredited organisations by sector or by name. However, there are now so many training providers available that the choice can be bewildering. Julie Dix at Silentnight recommends asking locally about the reputation of providers before choosing one to train your apprentices. “They also have Ofsted reports, which can be worth reading,” she says. These are available on the Ofsted website, www.ofsted.gov.uk. You can also check whether your chosen provider is named on the Further Education Choices employer and learner satisfaction surveys, www.gov.uk/government/collections/fe-choices, to see what apprentices and employers think of the provider you’re considering.

The training available from these providers is graded from Level 2 (which is equivalent to five GCSEs) to Level 7 (which is equivalent to a master’s degree). The government will fund training from the levy up to a maximum amount for each type of training, based on a system of funding bands (see www.gov.uk/government/publications/apprenticeship-funding-bands). If the training is more expensive than the funding band allocated for the apprenticeship, your company will need to pay the extra amount.

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Question four: Can I share funds with another company?

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If you have levy funding and are unable to spend it, or feel it could be better used elsewhere, you can transfer a proportion of your funding to another company or organisation.

Initially, the scheme only allowed companies to transfer 10% of their unspent funds, but from April 2019 this will increase to 25%.

Although you cannot ask for incentives for transferring the funds, there are obvious benefits to transferring training funding to a member of your supply chain, or in order to support your local economy.

If you are a smaller business and think you'd benefit from a funds transfer, approaching a larger business with unspent levy funds could be one way to receive training funding for your own apprentices.

Question five: My company doesn’t pay the levy - is an apprenticeship scheme still right for me?

It is tempting to think that apprenticeship schemes are only for those who pay the apprenticeship levy, but there are plenty of opportunities for non-levy payers to access apprenticeship training, although the process is slightly different. Non-payers do not currently use the official online “apprenticeship service” to pay for training, unless they are benefitting from a funds transfer, as above, and must instead agree the training directly with a provider.

As a non-payer, you’ll pay just 10% of the cost of training your apprentices. The remaining 90% is funded by the levy, meaning that employing apprentices can still be very cost-effective. If you are a small business, with fewer than 50 employees, and employ a 16 to 18-year-old apprentice, the government will pay the full cost of training.
Getting started

Before employing your first apprentice, there are certain things you’ll need to do to ensure that both you and your new recruit get the very most from the experience. Taking the following steps will help ensure you create the apprenticeship scheme that’s right for your business.

Consider your company’s needs

Your apprenticeship scheme has to suit your unique needs, so it is important to start by looking at where you are, where you want to go, and how your training partner will help.

Ann Potterton, at BT, says that planning is vital, as is identifying the right partners to work with. “It’s key that you identify the skills gap you wish to fill and, if it’s your first time setting up a scheme, there are a number of great providers who can help you manage the process and get to the next steps around funding and how to recruit,” she says.

Get staff on side

Ensuring that existing staff members are behind the new scheme is really important, - your apprentices will need this support. Current staff will also be able to help identify the best places and ways for apprentices to work.

Sian Prigg, from Start Sooner, runs corporate apprenticeship programmes and suggests allowing apprentices to experience as many different parts of your business as possible. “Give them the opportunity to learn about the wider business - how it works and what all the departments do,” she advises. “You might just spark a desire within them to follow a different path, which is the beauty of apprenticeships.” She also advises finding a current staff member to mentor a new starter. “Apprentices benefit hugely from having someone by their side during their apprenticeship, someone who can become their first point of contact,” she says.
Plan for the long term

Apprenticeship schemes should be seen as a long-term commitment, not a quick fix, so think ahead. Iain Heath, head of emerging talent, UK at HSBC, which has a thriving apprentice programme, says: “Be clear about the longer-term development and career plans for your apprentices, potentially involving ongoing use of your apprenticeship levy funding for more advanced qualifications.”

Ann Potterton at BT, which has been running apprenticeship programmes for 60 years, adds that the schemes should be seen as a way to build “your own loyal talent”.

Using the apprenticeship levy funding to grow your workforce and deal with skill shortages is a great way to improve your company’s productivity. The more businesses that embrace the scheme, the greater the benefits for all.

Useful contacts

There's a wealth of information about apprenticeship schemes from organisations across the UK. Try some of the following websites for more help when it comes to planning or updating your own scheme.

**The National Apprenticeship Service**
https://www.apprenticeships.gov.uk

**Careers Wales**
www.careerswales.com

**Skills Development Scotland**
www.apprenticeships.scot

**Apprenticeships in Northern Ireland**
www.nidirect.gov.uk/campaigns/apprenticeships

**UK government**
https://www.gov.uk/apprenticeships-guide

**The Institute of Student Employers**
www.ise.org.uk

**The National Careers Service**
https://nationalcareersservice.direct.gov.uk/home

**The Institute for Apprenticeships & Technical Education**
https://www.instituteforapprenticeships.org
Employer case study: AXA

Insurance giant AXA has all but scrapped its graduate training scheme (the only one still open is for actuaries) in favour of an apprenticeship programme.

Lucinda Charles-Jones, group HR director for AXA UK and Ireland, says that the decision has modernised the group’s recruitment process and increased diversity.

“For all our apprenticeships, we have developed well-structured programmes to help our employees gain recognised qualifications while developing skills on the job,” she says, adding that the schemes “support social mobility and broaden our access to a wider talent pool”.

Although AXA offered apprenticeships before the levy was introduced, it revamped them in 2018. Since then it has started more than 100 apprenticeships across the business, and believes that number will increase in 2019.

AXA takes apprentices in areas including underwriting, finance, HR and leadership and management, and the schemes are open to all ages.

“By widening our applicant pool, we will improve the diversity of our talent pipeline progressing from junior levels to executive levels,” Charles-Jones says.

Apprentice case study: Joe Thornton at Clear Structures

Joe Thornton, 28, started an engineering apprenticeship with glass engineering firm Clear Structures two years ago. When he finishes his studies, he will have a master's degree in engineering and membership of the Institution of Civil Engineers (ICE).

“The apprenticeship scheme really suits me,” he says. “It’s great being able to get work experience alongside the academic study. I think if I was just studying I would be set back quite a bit because I wouldn’t have the experience of collaborative working.

“I usually spend one day a week at university, and I might study on two or three evenings a week,” he adds. “I think sometimes people are surprised that I’m doing an apprenticeship at master’s level, but they come at all different levels; it really is a very broad scheme.”
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