

Dadansoddi ar gyfer Polisi



Analysis for Policy



Llywodraeth Cymru
Welsh Government

SOCIAL RESEARCH NUMBER:

48/2020

PUBLICATION DATE:

30/07/2020

Research Study: Apprenticeship Employer Incentive Scheme

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

Title: Research Study: Apprenticeship Employer Incentive Scheme

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Full Research Report: Winterbotham, M., Salamons, D. and Castell, E.; (2020). *Research Study: Apprenticeship Employer Incentive Scheme*. Cardiff: Welsh Government, GSR report number 48/2020

Available at: <https://gov.wales/apprenticeship-employer-incentive-scheme-research-study>

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Glossary

Glossary text

Acronym/Key word	Definition
EIS	Employer Incentive Scheme
FE	Further education
LLWR	Lifelong learning Wales record: the official source on post-16 (non-higher education) learners in Wales
SME	Small and Medium Enterprises: firms with fewer than 250 employees and a turnover of less than or equal to €50m (as defined by the European Commission)

1. Background

- 1.1 Prosperity for All¹ - the national strategy to build a Wales that is prosperous and secure, healthy and active, ambitious and learning, and united and connects - identifies employability as a core theme for well-being and prosperity. It is underpinned by a number of plans, including the Employability Plan² and Economic Action Plan,³ which set out how Welsh Government aims to contribute to increasing productivity levels in Wales, grow the economy and reduce inequality. Delivering and supporting Apprenticeships forms part of this focus on ‘supporting people wherever they are on the employment ladder, helping them move closer to, gain, retain and progress into work’. The Welsh Government’s Apprenticeship Policy lays out how apprenticeships will support the national strategy objective to “deliver more and better jobs through a stronger, fairer economy”.⁴ A key part of the policy is the commitment to create 100,000 new apprenticeship places by 2022.
- 1.2 Apprenticeships are currently defined through ‘frameworks’ which specify the qualifications and training that must be achieved to earn an apprenticeship certificate. Apprenticeships operate at level 2 (foundation apprenticeships), level 3 (apprenticeships), and at level 4 and above (higher apprenticeships). The Apprenticeship programme in Wales is an all age programme although priority is given to learners aged 16-19 and older learners undertaking apprenticeships at level 3 and above.
- 1.3 The Apprenticeship Programme forms part of the Welsh Government’s Work Based Learning (WBL) 4 contract. A network of providers has been appointed to deliver the apprenticeship programme as part of the WBL4 contract. These providers work with employers to deliver training for apprentices through the work-based learning contracts issued by Welsh Government. From time to time, the Welsh Government will deliver specific initiatives under the apprenticeship programme, for example, initiatives aimed at supporting particular sectors and/or learner groups.

¹ Welsh Government (2017) [Prosperity for All: The National Strategy](#)

² Welsh Government (2018) [Employability Plan](#)

³ Welsh Government (2017) [Prosperity for All: Economic Action Plan](#)

⁴ Welsh Government (2017) [Aligning the Apprenticeship model to the needs of the Welsh economy](#)

- 1.4 One such initiative is the Apprenticeship Employer Incentive Scheme, initiated to encourage small and medium size businesses in Wales (SMEs) to support young apprentices, specifically to support businesses to create new jobs and recruit 16- to 19-year-olds.
- 1.5 As with other initiatives, the scheme is delivered by the provider network, both FE colleges and private providers, in line with Welsh Government's priorities and the terms set out in the Work Based Learning Programme Specification.⁵ For the Apprenticeship Employer Incentive Scheme, providers must inform the Welsh Government of employers who may meet the eligibility criteria and submit evidence to the Lifelong Learning Wales Record (LLWR). The Welsh Government make payments to the providers who, in turn, pay the employers. Providers are not expected to fund these payments from their apprenticeship contract value.
- 1.6 The incentive scheme is open to all employers who:
- Are not able to recruit an apprentice without the grant;
 - Are SMEs (using the European Union official definition;⁶);
 - Are registered with Companies House or HMRC;
 - Have not recruited an apprentice (or signed up existing staff onto an apprenticeship programme) in the 30-month period before the start date of the first apprentice;
 - Commit to employing an apprentice(s) for 12 months or the time taken to complete the apprenticeship programme (whichever is the greater);
 - Commit to employing the apprentice for at least 30 hours per week; and
 - Agree to pay the apprentice in line with legal minimum requirements or more; and
 - Can demonstrate that the recruited employee(s) would be employed in Wales for at least 51% of the time.

⁵ Welsh Government (2015) [Work Based Learning Programme Specification and Guidance](#)

⁶ SMEs are defined by the EU as employing fewer than 250 persons, and either having an annual turnover of less than or equal to €50m or a balance sheet totalling less than or equal to €43m – see European Commission (2017) [User Guide to the SME Definition](#)

- 1.7 Eligible employers who recruit apprentices during the periods of July – September (inclusive) or January – March (inclusive) receive a payment of £3,500, whilst those who recruit apprentices outside of these months receive £2,500.
- 1.8 Data provided from the Welsh Government accessed via the Lifelong Learning Wales Record (LLWR) shows that 950 apprentices were taken on via the Apprenticeship Employer Incentive Scheme (learners with a programme start date of 1st August 2017- 31st May 2019). A total of 922 employers took on one apprentice during this period, 11 took on two apprentices, with two employers recruiting the maximum of three apprentices.
- 1.9 Of the 950 apprentices that employers had taken on via the scheme: 12% received a payment of £2,500 for their apprentice(s), whilst 77% received the maximum payment of £3,500 for their apprentice(s). At the time of carrying out this research, 10% had yet to receive an incentive payment or their provider had yet to submit the appropriate award record.

A total of 17 providers were involved in the scheme.

Research objectives

- 1.10 The Welsh Government commissioned IFF Research to undertake a research study of the Apprenticeship Employer Incentive Scheme for the period August 2017 to May 2019, exploring its effectiveness, efficiency and impact.
- 1.11 The specific research objectives were to:
- Assess how effectively the Apprenticeship Employer Incentive Scheme is being delivered to the target audiences and provide lessons to inform future delivery
 - Assess the impact that the scheme has had against its overall objective and on beneficiaries in terms of employment, and skills acquisition
 - Make recommendations on the most effective way of supporting SMEs to recruit and retain young apprentices (whether this be the employer incentive or alternative solutions).

2. Methodology

2.1 A mixed method approach was undertaken for this research, involving:

1. Two qualitative in-depth phone stakeholder interviews

These interviews were conducted with two key stakeholders to gain a clear sense of the current landscape of apprenticeships in Wales and further context behind the introduction of the Apprenticeship Employer Incentive Scheme.

2. 10 qualitative in-depth phone interviews with providers engaged with the Apprenticeship Employer Incentive Scheme

A sample of all 17 providers who were involved in the scheme was supplied to IFF Research by the Welsh Government. Given the small population of providers involved in the scheme, there was no formal sampling structure undertaken for this phase of the research, with all providers invited to take part. Interviews were conducted with 4 colleges and 6 private training providers.

Interviews averaged 40 minutes in length and were conducted with members of staff who were responsible for employer engagement and the administration of the scheme. In a few cases, interviews took place with multiple staff members at the provider.

Providers were asked about:

- How they became aware of the scheme, initial views and why they decided to become involved
- How they engaged employers with the scheme, and the challenges faced in doing so
- Attitudes towards individual structural elements of the scheme
- Perceived impact of the scheme for learners
- Overall perceptions of the effectiveness of the scheme.

3. A quantitative online survey of employers who had taken on an apprentice via the scheme

The sample of employers was generated by asking providers to supply contact details of employers that they worked with who had taken on an apprentice via the incentive scheme. This yielded 387 employer contact details (not all providers supplied contact information for their employers).

Employers were sent an initial email in late October 2019 providing details of the research and a link to the online survey. Employers who did not complete the survey following the initial email were sent up to three reminder emails (one from IFF Research, two sent directly from the Welsh Government). The survey was open from 24th October to 29th November 2019. A total of 68 responses were received, representing a response rate of 18%. There were employers from 11 different providers represented in the respondents.

The quantitative survey asked employers about:

- Previous involvement (if any) with apprenticeships
- Perceptions of the application process for the incentive scheme
- Factors involved in their decision to take on an apprentice
- The impact of the incentive scheme on their decision to take on an apprentice
- Interest in taking on apprentices in the future
- Satisfaction with the incentive scheme.

The appendix to this report provides details of the profile of the 68 employers.

Findings from the quantitative element should be treated with some caution given the relatively low sample size.

4. 17 qualitative in-depth interviews with employers who took on at least one apprentice via the scheme

The employer sample for in-depth interviews was generated via 'opt-ins' from the quantitative survey.

Interviews averaged 40 minutes in length and largely followed a similar structure to the quantitative survey in terms of content, exploring the issues in further depth. Interviews were conducted between 14th November and 9th December 2019.

All employers interviewed were small or microbusinesses, employing between one and five staff members. Seven employers were situated in North Wales, five in South West Wales, three in South East Wales and two in Mid-Wales.

2.2 Apprentices who were recruited as part of the scheme were not interviewed or surveyed as part of this research. As such, there is limited evidence of the impact that the scheme had on the apprentices themselves, beyond provider and employer perceptions.

3. Findings – Provider and employer perceptions of the Incentive Scheme

3.1 This section examines providers' and employers' initial views of the incentive scheme.

Provider perceptions of the Apprenticeship Employer Incentive Scheme

3.2 Several providers questioned the timing of introducing an incentive scheme to engage more small employers with apprenticeships. There was a general perception that the current apprenticeship landscape is 'very healthy,' with most providers often over-delivering on their contracts (especially with large employers in healthcare). This led some to suggest that funds could be better used expanding existing provider contracts, or to help employers and providers to successfully support the learning and development needs of their current apprentices.

3.3 Other providers discussed the Apprenticeship Levy – a UK-wide levy on businesses with a pay bill in excess of £3 million introduced in 2017 to provide additional funding for apprenticeships. These providers felt that the introduction of the Apprenticeship Levy had led to a recent rise in awareness amongst employers around the availability and benefits of apprenticeships, not just amongst larger employers paying the Levy, but also amongst SMEs.

3.4 A few providers were surprised that the criteria of the scheme was limited to apprentices aged 16-19, given their knowledge of Welsh Government's priority to promote all age apprenticeships at levels 3 to 6:

'Historically, many of our apprenticeships have been delivered at entry level (Level 2) supporting large parts of the foundational economy across Wales, with relatively smaller numbers across our knowledge and technical based economy (Level 3-6). If the balance of the programme remains unchanged then many more apprenticeships will be offered in areas where there are limited benefits in terms of wage returns and career progression.'⁷

⁷ Welsh Government (2017) [Aligning the Apprenticeship model to the needs of the Welsh economy](#)

- 3.5 It was noted that the Welsh Government had prioritised increased uptake among 16-19-year-olds within the general all-age apprenticeship policy approach. However, there was some concern that the limited age range of the scheme made it difficult to address the issue of increasing level 3-6 apprentices (as most candidates for a level 3-6 apprenticeship would be over 19). Some providers were also unclear why the scheme excluded the possibility to convert a current employee on to an apprenticeship.
- 3.6 Most providers in qualitative interviews favoured expanding the age range for the incentive scheme. One provider mentioned (unprompted) that the scheme could mirror the approach of Jobs Growth Wales⁸, aimed at 16-24-year olds, which was considered to be a successful initiative.

Employer perceptions of the Employer Apprenticeship Incentive Scheme

- 3.7 Employers' initial perceptions of the incentive scheme were positive, with some feeling that they were 'getting something back' from the Welsh Government as small businesses. They often indicated that, whilst the financial incentive was well received, the grant alone was not the sole reason for taking on an apprentice. The relationship gained with providers was considered by some to be an important addition of receiving the incentive, where the apprenticeship was thought of as part of a 'package deal' with the provider. Working with providers they respected, trusted and felt they could go to for guidance were also thought of as a vital part of this 'package'.
- 3.8 Interviews with employers also suggested that the incentive scheme could be improved by including funding for two-year apprenticeships. Those engaged in two-year apprenticeships felt that the scheme would have been more useful if the payment was made in the second year, to help subsidise the apprentice's higher wages once they completed the required training during the first year. Whilst a couple thought that the scheme should provide funding during both years of a two-year apprenticeship (doubling the current incentive amount offered) to account for the additional learning and development resource involved in a two-year

⁸ Careers Wales website: [What is Jobs Growth Wales?](#)

programme, they acknowledged that their providers had made them clearly aware that the scheme only provided funding for the first year before applying.

4. Findings – Awareness of the Incentive Scheme

Summary:

- Some providers, despite information given by the Welsh Government, had not been clear about the details of the payment process.
- Although they ensured their staff who engaged employers were well-informed about the scheme, most providers were hesitant to actively promote the incentive scheme to employers.
- The majority of employers found out about the incentive scheme from providers and were positive about availability and quality of information that was given to them.

4.1 This chapter investigates how providers and employers initially became aware of the incentive scheme. It then discusses information that providers would have liked to have been aware of from the Welsh Government but did not receive, and the challenges that they faced in raising awareness of the scheme amongst employers. It then looks at employer perceptions of the quality and availability of information about the scheme that they received from providers.

Awareness among providers

4.2 In the qualitative interviews, providers were asked how they became aware of the Apprenticeship Employer Incentive Scheme, how they raised awareness of the scheme amongst employers and the challenges involved in this.

4.3 Information about the incentive scheme was often included within the provider contract / programme specification with the Welsh Government. Other providers had first become aware of the scheme via initial conversations with the Welsh Government during the early stages of its development at various meetings such as operational management groups.

4.4 In general, providers were positive regarding the quality and clarity of information about the scheme that they received from the Welsh Government, either in written form, via the programme specification / contracts, or in informal conversations with Welsh Government staff members. However, there were a few exceptions which did

cause some difficulties for providers, especially during the first year in which the incentive was available to employers:

- 4.5 Welsh Government provided information to providers on how the payment process of the incentive would work, and what was required for the Welsh Government to issue payment. Providers were told that they were required to submit final entries to the Award dataset once the apprentice employed under the scheme had successfully completed eight months of employment. Payment would then be made automatically to the provider, who in turn would pass the full payment onto the employer.
- 4.6 Although Welsh Government guidance had been issued on the payment processes, several providers reported that they were initially unaware that the Welsh Government would only begin to process payments once the learner had been employed for eight months, and that it could take up to two more months (longer in some cases) for the provider to actually receive the payment. This may have been a result of providers not informing relevant staff of these processes.
- 4.7 This resulted in two problems for providers. Providers who told employers that they would need to wait longer for payments commonly received complaints, as they felt that the provider was not living up to the terms of the agreement. Other providers decided to pay employers involved in the scheme at the eight-month mark from their own funds. This left the provider with a financial shortfall (which was particularly damaging for smaller providers).
- 4.8 In general, providers were hesitant to actively promote the scheme to employers for a number of reasons:
- **Strict eligibility criteria:** Given the relatively strict criteria of the scheme, providers did not want to tell employers about the possibility of a financial incentive only for them not to be eligible once checks were performed. As such, most tended to only introduce the prospect of an incentive when they already knew the employer would be eligible, to avoid getting their 'hopes up'.
 - **Concern in engaging the 'wrong type' of employer:** Several providers felt that if they actively promoted a financial incentive that they may engage the 'wrong type' of employer, i.e. those who are only interested in the financial reward of

taking on an apprentice, rather than committed to the career progression of a young person.

- **Employment law:** Employers cannot give a preference of age range when recruiting an employee due to the Equality Act 2010. Therefore, employer eligibility for the scheme can only be confirmed when an employer already has recruited an apprentice within the 16-19 age range.

4.9 Due to these challenges, most providers promoted the incentive scheme passively; they ensured that staff knew about the scheme and the relevant criteria and encouraged them to only introduce the scheme to a potential new employer when appropriate.

Awareness among employers

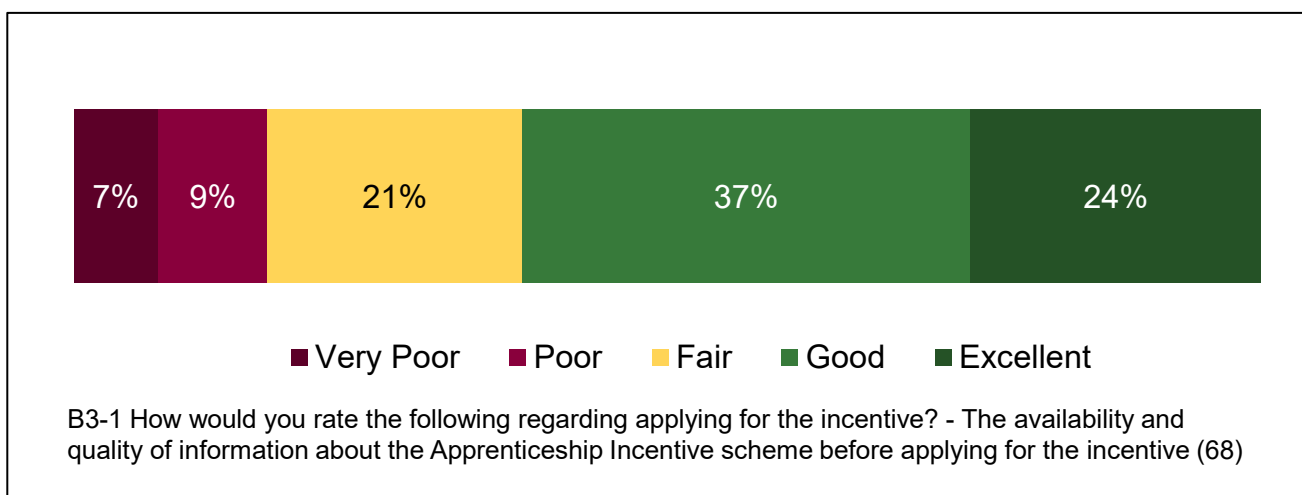
4.10 Overall, 69% of employers in the quantitative survey first heard about the Apprenticeship Employer Incentive Scheme via a training provider, school or college.

4.11 This was by far the most common means by which employers became aware of the scheme, with less than one in ten having heard about the scheme through any other source: colleagues (6%), communications from the Welsh Government (6%), social media (non-Welsh Government, 4%), or via a trade / professional body or Welsh Government website (1%).

4.12 In qualitative interviews, employers discussed how they had heard about the incentive scheme from a local training provider (often an FE College) when they had contacted them to express an interest in taking on an apprentice. In one case, they heard about the scheme during an informal visit from a local provider employer to check on the progress of a learner that was on work experience there. A small number heard about the scheme from other employers they worked with, or family and friends who had heard about the scheme (and worked in the apprenticeship sector).

- 4.13 Employers who learnt about the scheme via training providers were also asked at what point in the discussion the possibility of an incentive payment was raised by the provider. In general, these employers reported that providers only introduced the scheme once they were clear that they were committed to taking on an apprentice and were aware that they had not taken on an apprentice in the last 30 months.
- 4.14 One employer indicated that they had discussions with ten training providers before deciding which one to take on an apprentice with. Two of these providers (both FE colleges) had introduced the scheme straight away in discussion, prior to discussion around eligibility, whereas private training providers had tended to only introduce the incentive payment after initial discussion around the needs and wants of the employer in taking on an apprentice. Whilst this experience was only given by one employer interviewed, it is raised as it may point to some difference in approach as to how providers are making employers aware of the scheme.
- 4.15 Employers were asked in the quantitative survey how accessible information about the scheme was prior to application, and the level of quality of the information they saw. As shown in Figure 1, employers were generally positive, with 61% finding the availability and quality of information good or excellent, whilst 16% found it to be poor or very poor.

Figure 1: Perception of availability and quality of information about the Scheme prior to application



4.16 In qualitative interviews most employers reported having had verbal discussions with providers about eligibility, payment amount and timing of payment. Some employers approached providers themselves having heard about the scheme from friends or other employers, while others had been approached directly by providers. Most seemed satisfied with their initial contact with providers and felt that they had sufficient information to engage in the scheme.

4.17 In a couple of cases however, employers felt that they did not receive requisite information about the scheme from their provider and would not have engaged with it, or even have become aware of the details, if it had not been for their own persistence:

'It wasn't really pushed that well if I'm honest. If I hadn't made enquiries I probably still wouldn't be aware of it... It does surprise me that when you sign up an apprentice at the college, it should be made part of their initiation or on the signing on date that there could be funds available... That's down to the provider, they've got a massive turnover of staff.'

Employer, maintenance contractor

5. Findings – Application process and payment

Summary:

- Employers were generally positive about the application process.
- In some cases providers noted that the administrative resource involved in delivering the scheme was greater than initially expected, particularly for those providers who engaged with a large number of employers.
- While most employers were satisfied with how the payment was delivered, there were isolated cases of employers being frustrated that providers had not made it clear that they may not immediately receive their payment after eight months.

5.1 This chapter investigates provider and employer perceptions of the application process. It looks at their views regarding the administration involved in engaging with the scheme, processing payment and the quality of communication between providers, employers and the Welsh government during this period.

Provider views on administration involved in the scheme

5.2 Providers displayed mixed views on the amount of administration involved in the scheme, which was largely dependent **on the number of employers they had engaged in the scheme and the size of the provider** (as larger organisations had greater administrative resource).

5.3 Where providers had a large number of employers engaged in the scheme, they reported that the administrative resource involved was greater than they had initially expected. The time and cost for these providers of administering the scheme (in its initial phases of confirming employer eligibility, and processing forms, and later in submitting appropriate award records for payment), was felt to be significant. This led some to suggest that the Welsh Government may need to provide financial support to providers in the future to sustain their involvement in the scheme:

‘[The employer apprenticeship incentive scheme] is now basically one person’s whole job.’

Provider

5.4 Providers who currently did not experience a large administrative burden nonetheless also noted that if the scheme was to continue, there could be difficulties in the future:

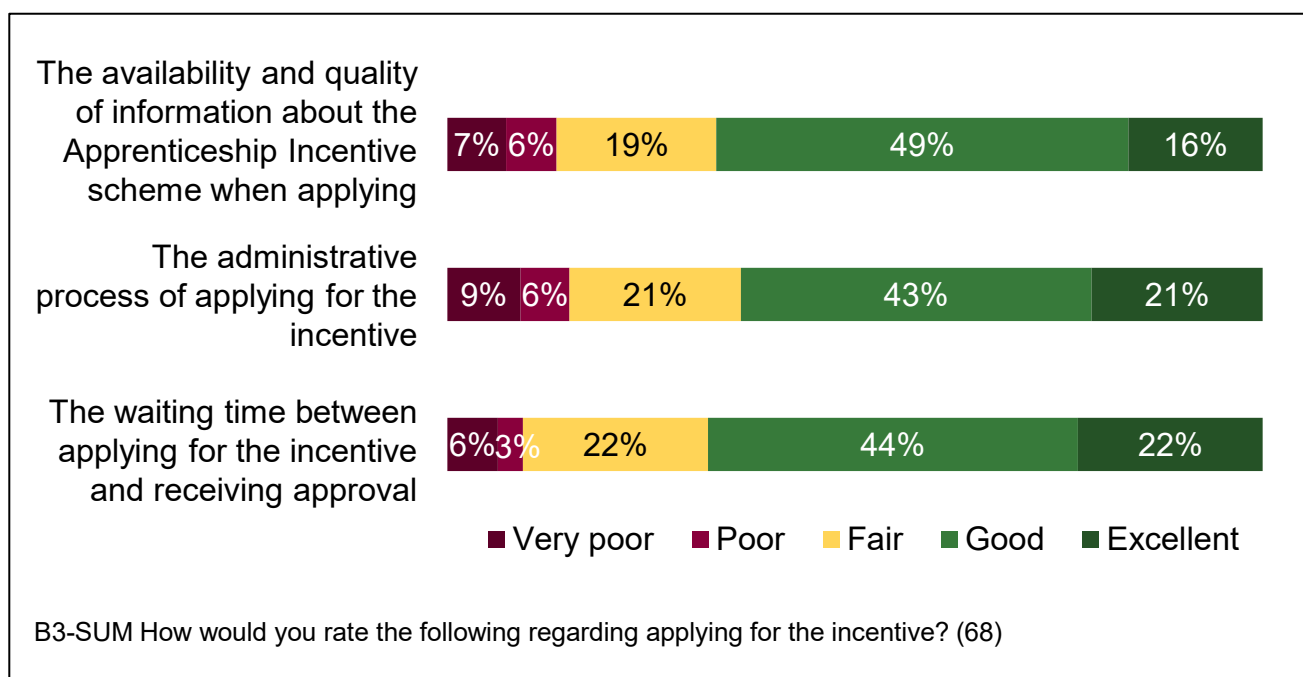
‘It’s not something we’ve kicked back on but it’s an additional administrative task we are not paid for. We only have eight of them [employers engaged in the scheme] but 80-100 would be someone’s job.’

Provider

Employer views on the application and payment processes

5.5 Employers in the quantitative survey were asked to rate the application process for: the availability and quality of information about the scheme when applying, the administrative process of applying for the scheme, and the waiting time between applying for the incentive scheme and receiving approval.

Figure 2: Employer perception of application process



5.6 For all three elements, around two-thirds of employers gave scores of either good or excellent and around a fifth rated each as fair. A smaller proportion (between 9% and 15%) gave negative ratings for each statement. Overall this suggests that whilst the majority of employers found the application process to work well, there are potential areas for improvement for a minority of employers.

5.7 In the qualitative interviews most employers reported that there were no issues with the application process or the information they received when applying, with some being pleasantly surprised with how little work this involved.

‘The college gave me the paperwork and I completed it myself – all straightforward.’

Employer, hairdressing

‘No, I didn't have to do anything and it [funding] just came through eight months later as they said it would.’

Employer, charity organisation

5.8 A couple of employers did find that the waiting time between applying for the incentive and approval caused a delay in their apprentice starting their apprenticeship. This in turn affected the incentive amount that they received. When initially submitting the application, the employers expected to receive the maximum incentive of £3,500 but due to the delay in the apprentice start date they received the lower amount of £2,500. It was acknowledged by these employers however, that the time required for approval was not unreasonable.

5.9 Whilst satisfaction with the application process was high, a small number of employers were unhappy about their provider not making them aware that they would only receive payment once the provider had successfully submitted the required evidence to the Welsh Government (following the apprentice being employed for eight months).

5.10 Several employers stated that it took a year or more (from the apprentice start date) for them to receive the incentive payment from their provider, with one suggesting that they thought their provider would have kept the money if they had not chased up:

‘We didn't get any money and it took nearly a year of chasing before it arrived. The office manager spent a lot of time trying to find out how to get it so there were resource implications in chasing payment. Without a lot of following up I don't think we would have got the incentive. There should be "red flags" in the system [to show non-payment]’.

Employer, medical practice

5.11 Employer dissatisfaction in the delay in receiving payment, coupled with the additional time spent chasing their provider, was also compared by some to the relative ease of the payment process in the Jobs Growth Wales scheme, where payment for the employee's wages are provided monthly.

6. Findings – Views of structural elements of the Incentive Scheme

Summary:

- Providers and employers largely did not see value of the differential payments.
- Most employers and providers felt that the value of the incentive was about right to incentivise employers to engage in apprenticeships.
- Respondents felt payment following eight months of the apprentice being employed was a reasonable length of time and ensured that the scheme was not taken advantage of by employers.
- Some felt that the age criteria for the scheme could be broadened to allow apprentices at higher levels to be included in the scheme.

6.1 The Apprenticeship Employer Incentive Scheme has a number of structural elements. This chapter explores employer and provider views of these elements covering:

- Differential payments of £3,500 and £2,500
- Eight-month payment period
- The incentive amount
- Eligibility criteria

Differential Payments

6.2 There is a standard incentive of £2,500, and a higher incentive of £3,500 if the apprentice starts from July to September or January to March. This is intended to further incentivise employers to recruit apprentices outside of the typical transition periods for young people. Analysis of LLWR data shows that the majority of employers received the higher payment amount, with 86% of employers who had received payment by 22nd August 2019 receiving the £3,500 incentive.

6.3 Perceptions of the differential payments for apprentices being recruited at different points in the year were largely negative amongst both employers and providers. Furthermore, in spite of a majority of employers receiving the higher payment, there

was little evidence of employers adjusting their recruitment to take advantage of the higher payment periods.

- 6.4 Providers believed that the dates chosen for differential payments do not achieve the intended aim. Some providers could see that there would be a benefit to incentivising recruitment outside of typical transition periods because apprenticeships are often seen as an attractive option for those who have “tried out” post-16 education at college or school, but then decided against this route. However, they felt that the dates chosen did not achieve this, as they included the most common recruitment periods with most day release programmes beginning in September.

‘Employers generally do recruit from July to September because that’s when young people are leaving school, that’s when a lot of the day release programmes start. So if they do a trade that requires day release at a college, they will automatically start in September.’

Provider

- 6.5 Employers also said that their heavy recruitment periods were currently aligned to the higher payment period, with many typically recruiting in late summer to access school and college leavers. In order to attract recruitment outside of traditional transition points for learners, it was felt the higher incentive payment should not be granted in September (although most employers felt this would actually make little difference to their recruitment strategy – see point 6.6).
- 6.6 Employers often felt that skills needs at certain times outweighed the additional funding that could be gained by adjusting their recruitment strategy. This was reflected in the survey results where 84% of respondents rated “Filling skill needs in the business” as important or very important in their decision to recruit an apprentice, compared to 68% of employers rating “Receiving the Apprenticeship Employer Incentive”.
- 6.7 There were examples of providers thinking that the differential payments could lead to unfair situations, where small delays to the recruitment process could lead to employers “missing out” on the additional £1,000, despite otherwise being ready to recruit within the higher payment periods. One provider mentioned an employer who recruited an apprentice but could not provide their national insurance number in

time, and so did not receive the higher incentive. Another provider gave an example of an employer being frustrated that they had narrowly missed out on the higher payment deadline. The employer felt that differential payment dates were arbitrary, and it was unfair for one employer to receive a higher incentive payment than another.

‘When I sent the flyer over to the [employer], they just missed out on the three and a half thousand, they got two and a half thousand – it was very frustrating for them.’

Provider

- 6.8 Although the majority of employers were aware of the differential payment before applying to the scheme, a relatively large proportion responding to the survey (29%) were not.
- 6.9 Overall, views on this element were almost entirely negative, with very few employers or providers seeing the value of it, and some believing that it was actively damaging to the intended purposes of the scheme. Most providers believed simply providing a flat rate incentive amount would be better.

Eight-Month Payment Date

- 6.10 The incentive payment is only payable after the apprentice has completed eight months of employment. This element was designed to ensure employers were committed to supporting the apprentice for a sustained period, rather than simply becoming involved for the money.
- 6.11 Employers and providers agreed that it provided protection to the apprentices, and almost all saw the eight-month wait as a reasonable time period. Most employers and providers saw the eight-month date as a “happy medium” between making sure the incentive was not taken advantage of by employers and not leaving the employer to cover expenses for too long. It was also noted by employers that after eight months, an apprentice would have had enough time to develop skills and be able to demonstrate their value to their employer, further mitigating the risk of employers terminating apprentices as soon as they had received the money. The delay in payment also acted as assurance for providers that the employers who do engage in the scheme are taking on an apprentice for the right reasons.

6.12 There was little evidence that employers or providers thought it should be a shorter period, in fact, some employers considered that it would be reasonable for payment to be withheld until the end of the apprenticeship. This would negate any risk at all of an employer terminating an apprentice without giving them the full opportunity to develop.

6.13 Despite initial concerns, there was no evidence of employers “taking advantage” of this element. None of the providers interviewed had any evidence of employers terminating an apprenticeship soon after the eight-month payment date.

‘One of the concerns raised at that meeting [Operational Management Group] was that employers would get rid of apprentices after 8 months and we haven't seen that [...] We've had people dropping out after 7 and a half months - if the employers were abusing it, that wouldn't have happened.’

Provider

6.14 Awareness of the eight-month wait for payment was relatively high with 84% of employers in the survey reporting that they were aware of the eight-month wait for payment before applying for the incentive.

Incentive Amount

6.15 In the qualitative interviews, employers and providers were asked the extent to which they believed the incentive payment (£2,500 - £3,500) was the “right” amount to incentivise SMEs to recruit young apprentices.

6.16 Most employers said that for them it was about the right amount, and for some was a “tipping point”. One of a number of examples was where the amount convinced the board of trustees of a small charity to approve recruitment of two apprentices at what was otherwise quite a difficult time for them financially.

6.17 Employers felt that the amount goes a long way to offset the wages and other expenses associated with taking on an apprentice. A sole trader in maintenance noted that while the apprentice is still relatively unskilled, they cannot charge clients for a two-person job, so the incentive is the right amount to offset the costs of taking an additional person on site.

‘It’s the right amount so I can take him on site, still give him a wage, and where I can’t charge for him, I know he’s still learning.’

Employer, maintenance contractor

6.18 Several employers discussed how they were able to take on a new employee at relatively low cost to the business as the incentive amount went a significant way to offset the wages paid to apprentices. Some providers however saw this in a negative light. They felt that an incentive amount that was close to offsetting the entirety of an apprentice’s wage legitimised paying the apprentice the minimum wage. These providers believed the apprentice minimum wage is too low and may put off young people pursuing apprenticeships.

‘One of the reasons young people struggle to be apprentices is the apprenticeship minimum wage.’

Provider

6.19 The impact of the incentive amount in employers’ decisions to recruit an apprentice, and what employers used the funding for, is explored further in Chapter 7.

Eligibility Criteria

6.20 To be eligible for the Apprenticeship Employer Incentive Scheme, employers had to recruit apprentices aged 16-19 and to not have recruited an apprentice within the preceding 30 months.

6.21 There were mixed views amongst providers on the eligibility criteria. While some understood the need for the scheme to engage employers who had not had apprentices for a significant time, others thought that this criterion was in some ways self-defeating.

- 6.22 Some providers noted that certain apprenticeship structures led to employers in some sectors always being eligible. In the case of a three-year apprenticeship, employers would be eligible almost immediately after a learner completed their apprenticeship, so would always have access to the incentive (presuming that they take on a cohort of apprentices through to completion before starting the next group). One provider gave the example of a small hair salon; an apprentice would take three years to complete both level 2 and 3 programmes so the employer would be eligible for the incentive as soon as their current apprentice completed their programme. They felt that this meant that the incentive was not achieving its intended aim of engaging employers new to apprenticeships.
- 6.23 As discussed earlier, some employers and providers felt that the scheme could be expanded to include older apprentices, in line with the 16-24 grouping of the Jobs Growth Wales scheme. It was also noted that a wider age range would align more closely with the government priority of promoting all age apprenticeships.

7. Findings – Impact and satisfaction

Summary:

- Employers who had never employed apprentices before engaged in the incentive scheme. Both in quantitative survey responses and qualitative interviews, employers largely reported that the existence of the incentive had been a significant factor in making this decision.
- Overall, employers were largely satisfied with their involvement in the scheme and most would be likely to recommend it to other businesses.
- Beyond job creation, the incentive had little impact on the learners themselves, as it was largely used to offset apprentice wages.

7.1 The aim of the incentive is to support businesses to create new jobs and recruit 16-19-year olds. As such, it is important to examine the impact of the incentive in employers' decisions to recruit an apprentice and the sustainability of this employment in line with the aims of the Prosperity for All national strategy. This chapter addresses these points in turn.

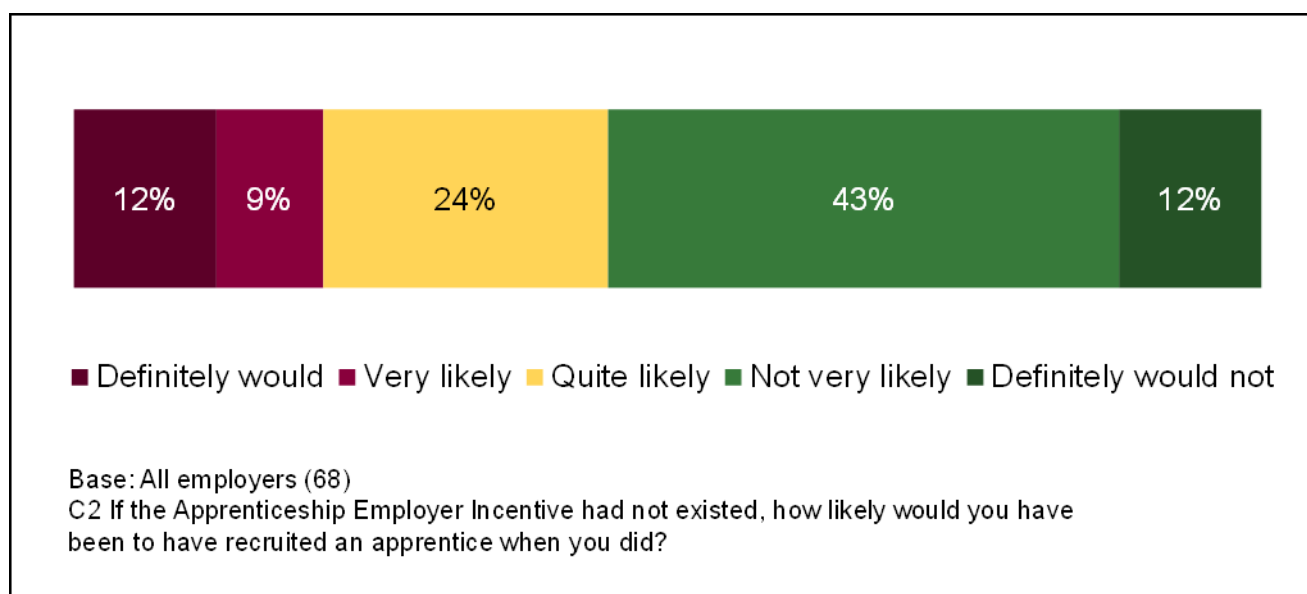
Impact on decision making

7.2 Overall, the offer of a financial incentive had a strong impact for most employers in the quantitative survey in encouraging them to take on an apprentice: 72% said that their business had never recruited an apprentice or put an existing member of staff on an apprenticeship. This is a clear sign that the scheme has successfully engaged many employers new to apprenticeships.

7.3 As shown in Figure 3, 55% of all employers who took part in the survey reported that they would have been unlikely to recruit an apprentice when they did if the incentive had not existed. Indeed, 12% would definitely not have recruited an apprentice without the incentive.

7.4 Conversely, 21% definitely would have or would have been very likely to recruit an apprentice regardless of the financial incentive. This does suggest that there is relatively little deadweight associated with the scheme: i.e. there is a small number of employers that definitely would have acted in the same way without the incentive.

Figure 3: Likelihood of recruiting an apprentice if the incentive had not existed



7.5 When looking only at employers who had never engaged in apprentices before, 58% reported that they would have been unlikely to or definitely would not have recruited an apprentice without the incentive scheme.

7.6 The quantitative survey showed that the incentive was not the most important factor in employer decision making. As shown in Figure 4, while 68% indicated that receiving the incentive was an important factor in the decision to recruit an apprentice, three other factors (filling skills needs, the quality of training, and social responsibility) were deemed more important.

Figure 4: Importance of factors in the decision to recruit recent apprentice(s)



7.7 In qualitative interviews some employers mentioned how they were considering other options to fill skills needs, such as part-time or casual workers, and it was the existence of the incentive that convinced them to follow the apprenticeship route. Other employers discussed how taking on apprentices had been something that they had been considering for some time, but it was the incentive that gave them the final motivation they needed to become involved.

'The scheme gave me the kick of motivation that I needed [and the funding] was very important in making that decision to take on an apprentice.'

Employer, plumbing and heating company

7.8 The incentive proved to be a valuable tool for some employers when making a business case to others in their organisation that they should engage in apprenticeships. As discussed previously, the incentive helped the founder of a small charity "get it over the line" with trustees. Another commented:

'I persuaded my business partners it was a good idea. They were very sceptical. The incentive scheme helped persuade my business partners.'

Employer, veterinary practice

7.9 However, for some employers the incentive had little impact on their decision-making. Some, for example, had already decided to take on an apprentice and identified a suitable individual, and so the incentive was not an important factor in their decision.

‘I was fully prepared to fund the apprentice, so I had already made that commitment [as] there was no way that the company could have employed a fully qualified person.’

Employer, car body repair shop

7.10 Providers believed that the incentive had a variable impact on employers’ decisions to recruit an apprentice. Providers, who have a broader insight into employers’ response to the scheme, reflected on the variable impact of the incentive in encouraging employers to take on apprentices. As there is no formal mechanism for employers to prove that they would be unable to fund an apprentice, beyond an employer saying that this is the case, a couple of providers noted that it was difficult for them to get a true sense of whether they would have engaged in apprenticeships anyway (without the need for a financial incentive). There was a feeling that some employers would have been able to take on an apprentice regardless of receiving the incentive.

‘I’m not saying it hasn’t helped some employers take on apprentices – it has – but some of those employers would have had apprentices anyway.’

Provider

‘An employer is never going to say: ‘Yes I would have taken them on without the incentive’ if they’re going to get money.’

Provider

7.11 When asked about whether they had seen new employers engaging in apprenticeships as a result of the scheme, an FE provider provided some data relating to this. Of the 289 employers they had engaged in the scheme, 228 had not recruited an apprentice in the last 5 years. This particular provider had initially thought that the scheme had not attracted that many employers new to apprenticeships so when discovering these figures they were surprised at how

many 'new' employers they had engaged. They largely credited the introduction of the incentive scheme to increased engagement with new employers.

Sustainability of employment

7.12 Employers were asked in both the quantitative survey and in-depth interviews about the current status of the apprentice(s) who had been taken on via the scheme. Findings from these questions are discussed here.

7.13 Most employers were committed to the apprenticeship leading to a permanent position for the apprentice: 85% of employers surveyed intended that their most recent apprentice recruited via the scheme would become a permanent staff member. In addition, 9% were unsure. In contrast 6% said it had not been their intention that their most recent apprentice recruited via the scheme would become a permanent staff member.

7.14 Most survey respondents had at least one of their apprentices taken on as part of the scheme still doing their apprenticeship (43 of 68). Among the remainder there was a fairly even split between those that had at least one apprentice who had completed their programme and remained at the organisation (18), and those who had at least one who was no longer with them (16). Of the 16 with an apprentice who had left, nine reported that an apprentice left after the successful completion of their apprenticeship, four had an apprentice who left after payment but before finishing their apprenticeship, and five had an apprentice who left before the employer had received the incentive payment. It should be noted that employers may have had multiple apprentices with different outcomes.

7.15 Most employers who had an apprenticeship still in training also intended to offer their apprentice a permanent post, as long as there was sufficient demand.

'As long as the work's there, I will keep him. The amount of work is good at the moment so I'd like to.'

Employer, maintenance contractor

7.16 The performance of the apprentice, the resource needs of the employer, or decisions by the apprentice themselves were the main drivers for apprentices leaving the company following completion of the apprenticeship. Of the sixteen

employers in the survey who had an apprentice who had left, in half of the cases (8) it was the apprentice's decision, in four cases it was the employer's decision, and in four cases it was a joint decision. Of the eight employers where the employer was involved in the decision(s), there were a mix of reasons, including not being able to afford to keep them on, unsuitability of the candidate, and disciplinary issues.

- 7.17 The qualitative interviews revealed a similar mix of reasons for apprentices leaving. One employer, who had never taken on apprentices before, felt that their organisation could have given their apprentices more responsibility to better develop their skills and regretted not being able to offer them permanent positions because of this – something that they will learn from when taking on more apprentices in the future.

'In an ideal world, we'd have taken them both on in part-time roles leading to full-time roles, but when you look at the skills they were probably lacking in a few key areas.'

Employer, charity organisation

- 7.18 Providers generally felt that there was little difference in retention of apprentices recruited via the scheme and other young apprentices.

'Employers either sacking or employees leaving [...] have stayed pretty similar – I don't think employers have hung on to people if they've been unhappy with them.'

Provider

- 7.19 Overall, the incentive scheme seemed not to have affected an apprentice's likelihood to remain in employment. Historical data should be examined to explore whether apprentices employed under this scheme were more likely to progress to full-time employment than young apprentices generally.

Impact on learners

- 7.20 One line of enquiry that the research explored was whether receiving the scheme had had any impact on the learners themselves, outside of acceptance on to an apprenticeship itself. This may have been in the form of using the additional funding to provide extra training or resources for the apprentice.

7.21 The incentive was mostly used to offset wages and cover general costs of having an apprentice. Some employers stated that the incentive was solely used as a wage subsidy to cover the costs to the business of having the apprentice. One employer regretted not having been able to use the funding on opportunities for their apprentices. They had been intending to use it for training but did not do so due to their financial situation.

‘[To be] brutally honest, it was just to make up the wages, [to] fill the hole.’

Employer, charity organisation

7.22 Other costs that employers reported having used the incentive on were tools, and insurance for the apprentice to drive a van – something that two employers noted was considerably higher for a younger apprentice.

7.23 There were however a couple of examples where the funding had been used to enhance the apprentice’s experience. An engineering company used the additional funding as a way to pay their apprentices above the minimum apprenticeship wage. Another employer had used the payment to be able to dedicate more staff time to the in-house training of their apprentice.

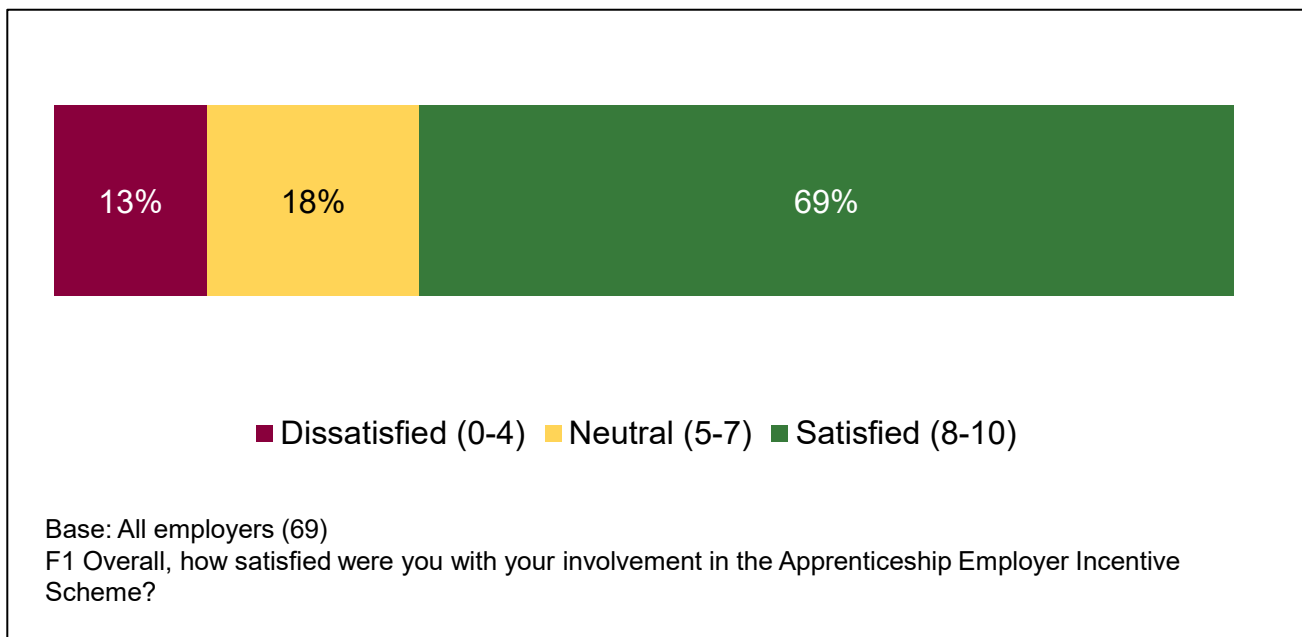
7.24 Most providers believed the incentive had minimal impact on the learners beyond creating the apprenticeship opportunity itself. Nearly all providers believed that the incentive payments were largely being used to offset wages. One commented that this was most likely because it had not been marketed to either providers or employers as something to be used in other ways. A couple also mentioned how previous schemes were marketed as wage reimbursements, so there was a precedent for employers to use the incentive in this way.

Satisfaction with the scheme and likelihood of recommendation

7.25 Employers were also asked in the quantitative survey about their likelihood of recommending the scheme to another business considering apprentices and their overall satisfaction with the incentive scheme.

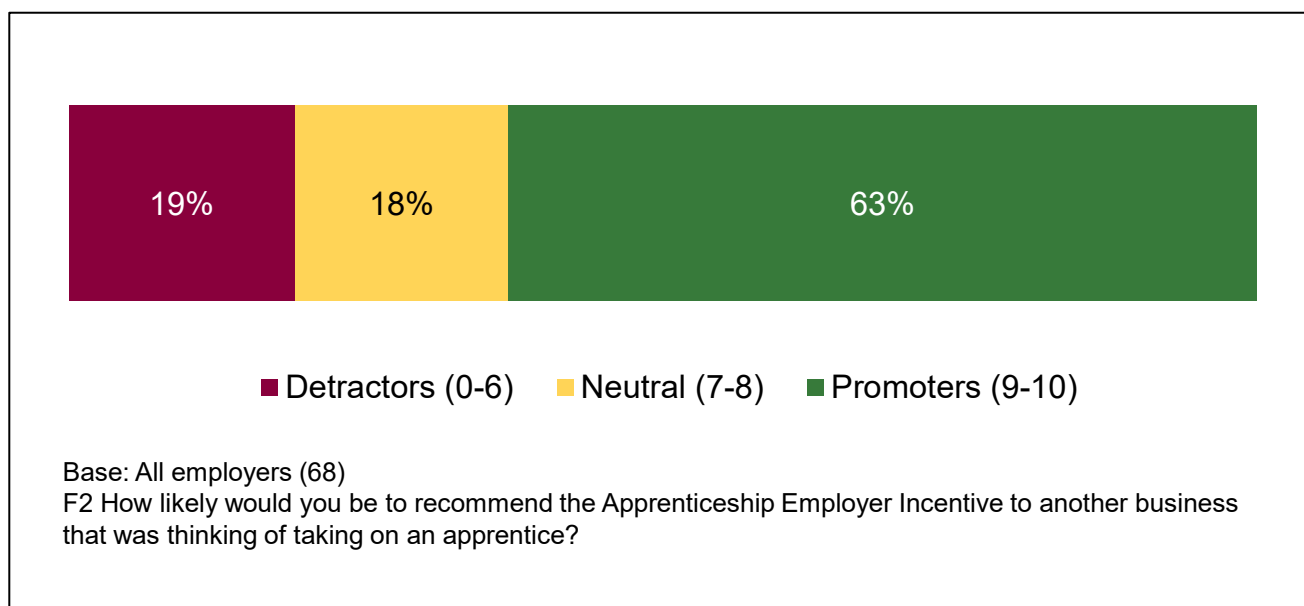
7.26 Employers in the quantitative survey reported a strong level of satisfaction with the scheme, with 69% feeling satisfied with their involvement in the scheme (a rating of 8-10 on a 0-10 scale).

Figure 5: Overall satisfaction with involvement in the Apprenticeship Employer Incentive Scheme



- 7.27 Respondents were also asked how likely they would be to recommend the scheme to another business on a scale of 0-10, where '0' is 'very unlikely' and '10' is very likely.
- 7.28 Overall, 63% of employers surveyed were likely to recommend the incentive scheme to another employer that was thinking about taking on an apprentice.

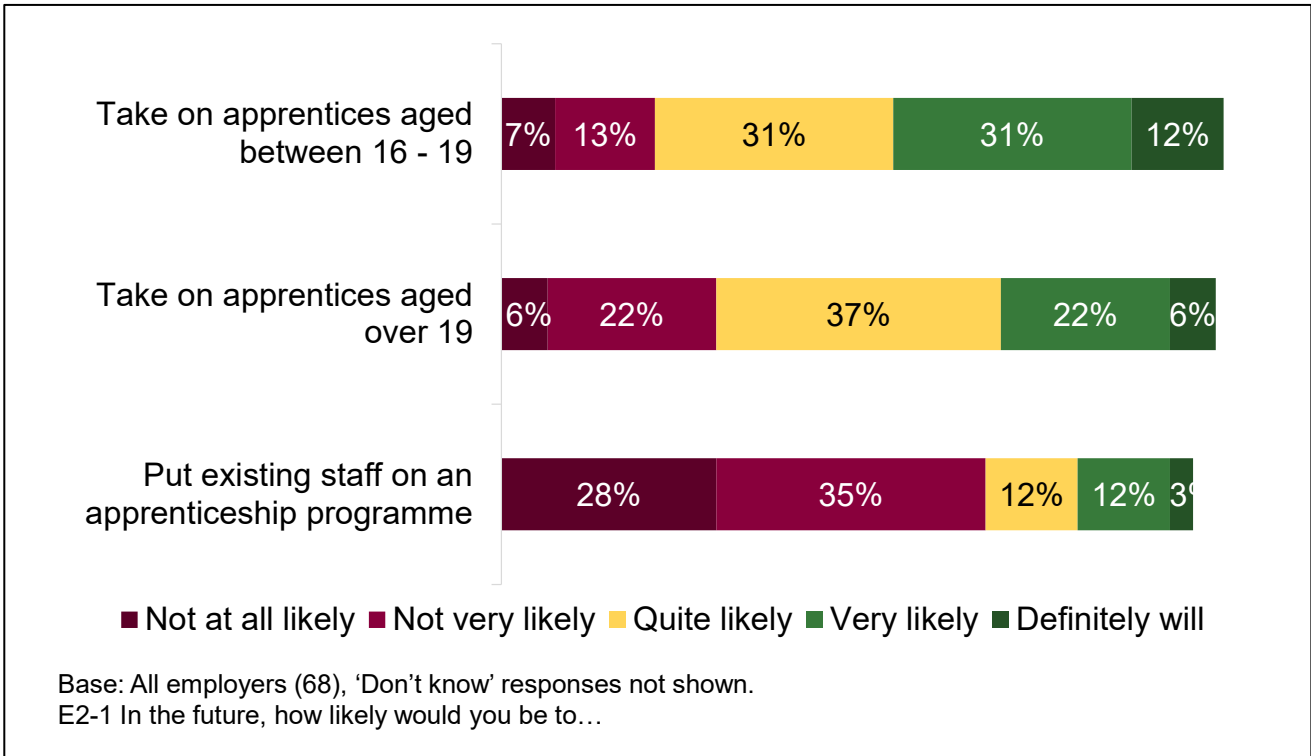
Figure 6: Likelihood to recommend the scheme to another business that was considering apprentices



Likelihood of recruiting further apprentices

- 7.29 Overall, 28% of survey respondents had already taken on one or more apprentices since being involved in the employer incentive scheme. While 72% have not taken on any more apprentices, it should be noted that the majority of those who have not taken on additional apprentices (29 of 49 employers) still have apprenticeships ongoing.
- 7.30 Respondents were asked how likely they would be to engage in apprenticeships in the future; these results are shown in Figure 7. Overall, 12% indicated that they definitely would take on apprentices aged 16-19 in the future, with an additional 31% indicating that they would be “very likely” and 31% “quite likely”. This is higher than the likelihood of taking on apprentices aged over 19 (6% definitely would, 22% would be very likely, and 37% quite likely).

Figure 7: Likelihood to engage further in apprenticeships



7.31 Some interviewees reported that the incentive would be a factor in their decision to continue to engage in apprenticeships. A charity employer who used the incentive to convince trustees put a number on this, estimating that with the incentive trustees would be:

'90-100% likely to approve one or two more apprentices, without it they would probably be 50-60% likely.'

Employer, charity organisation

7.32 Several employers noted that engaging in the incentive scheme had been a *“hassle free experience”* so would consider recruiting another apprentice in the future if an incentive was still available.

Reasons for being unlikely to take on apprentices in the future

7.33 In the survey, employers who indicated that they were unlikely to offer apprenticeships in the future were asked the reasons for this. Of the thirteen employers who gave a response, several employers mentioned negative experiences with the apprentice recruited via the scheme, with a couple mentioning how young apprentices' lack of experience would be a factor in future decisions to

take on young apprentices. Others mentioned that the time needed to train the individual was unsustainable for a small employer, or that there was simply not enough work to warrant taking on an extra worker.

‘As a one-man band I now understand both my limits about the provision of training requirements and also the needs of a young apprentice.’

Sole trader, agricultural sector (quantitative survey)

7.34 One employer who was not considering offering apprenticeships in the future mentioned a negative experience with the training provider. They felt that the provider was uncommunicative when they were trying to raise concerns about the apprentice’s performance. Only one employer mentioned their experiences with the scheme itself as a reason for not being likely to engage in apprenticeships in the future. They felt that the clarity of the process around payments, the time to get it set up (which pushed them into the lower) payment window and difficulties with the training provider sending payment to them would discourage them.

7.35 In summary, there is some evidence to suggest incentive scheme has successfully engaged employers new to apprenticeships and re-engaged those without recent involvement. It was an important factor in the decision making of employers involved in this research. Most employers in the quantitative survey, and in qualitative interviews were satisfied with the scheme, would recommend it, and would be likely to recruit young apprentices again in the future.

8. Conclusions

- 8.1 This report presents results of research to examine the effectiveness, efficiency and impact of the Apprenticeship Employer Incentive Scheme for the period August 2017 to May 2019. It involved in-depth interviews with participating providers and employers and an online survey of 68 employers who had taken on apprentices via the scheme.
- 8.2 Overall, 72% of the SMEs that responded to the quantitative survey had never recruited an apprentice previously, and 55% said that without the incentive payment they would either definitely not have taken on an apprentice (12%) or would have been very unlikely (43%). Conversely, 21% of SMEs surveyed said either they definitely would have taken on an apprentice even without the incentive (12%) or would have been very likely (9%).
- 8.3 In qualitative interviews with providers, it was acknowledged that it was often difficult to judge whether those employers who engaged in the scheme would definitely not be able to recruit an apprentice without the financial incentive.
- 8.4 While receiving the incentive was an important reason for taking on the apprentice for 68% of employers who answered the survey, other factors were more commonly cited as important: filling skills gaps (84%), the quality of apprenticeship training (84%) and corporate social responsibility and supporting young people (72%).
- 8.5 Overall, 85% of employers in the quantitative survey said they intended (at the time of recruitment) to employ the apprentice(s) they took on via the scheme in a permanent role within their company on completion, and an additional 9% were unsure. In contrast, 6% admitted this had not been their intention.
- 8.6 The quantitative survey also asked employers for the current status of their apprentice(s) taken on via the incentive scheme. The most frequently cited outcome was for apprentices to still be on the apprenticeship (43 out of 68 employers). Overall, 16 employers indicated that at least one of the apprentices taken on via the scheme no longer worked for them. In half (eight) of the cases it was the apprentice's sole decision to leave; in four it was the employer's decision and in another four it had been a joint decision. As to when apprentices left, this appeared

to be evenly split between after completion of the apprenticeship (the case for nine SMEs) and before (seven).

- 8.7 In terms of how the scheme is operating, providers in qualitative interviews reported some initial teething issues. Examples included a lack of clarity around who was responsible for checking employer eligibility, managing employer expectations around the timeliness of payment and administrative requirements not having been fully understood. These issues initially caused some relatively minor inconvenience, but are now well understood.
- 8.8 Few providers appear to be promoting the scheme actively as a means to attract SMEs. This is for a number of reasons, such as ensuring that expectations of employers are managed effectively (when they may assume that they are eligible for the scheme prior to fulfilling all eligibility criteria), and not wanting to attract employers who are only interested in the financial incentive rather than supporting apprentices. Providers therefore tended to discuss the incentive with employers only once they appeared to be interested in taking on an apprentice.
- 8.9 Most participating employers thought the availability and quality of information about the scheme prior to applying was excellent (24%) or good (37%), compared with 16% thinking it poor.
- 8.10 Similar findings arose regarding the application process: 64% rated the administrative processes as excellent or good (vs 15% poor) and 66% thought the waiting time for approval was excellent or good (vs. 9% poor).
- 8.11 In the qualitative discussions with employers, some were unhappy with the delay of incentive payment from the provider (some waited a year or longer for payment and had to chase the provider about the issue).
- 8.12 A few providers felt that the administrative processes involved in the scheme were resource-intensive, and they would be hesitant to promote it more widely to employers without a financial subsidy from Welsh Government. Whilst, it is the responsibility of providers to provide information on how to support apprentices, some providers felt that the Welsh Government could do more to supply information directly to sole traders and microbusinesses.

8.13 Other recommendations from providers and employers to improve the scheme, if it was to be continued, included:

- Removing differential payments (i.e. two payment values of £2,500 and £3,500), which appear to have had little to no impact on behaviour.
- Consider expanding the age range of the scheme from 16-19 to 16-24 to increase the potential for the scheme to attract young apprentices.

8.14 Employers in the quantitative survey also reported on whether their experience of the scheme would result in further engaging with young apprentices.

- 28% had already taken on another apprentice
- 12% said they would definitely take on apprentices aged 16-19 in the future (31% also said this was very likely), while 6% said they definitely planned to recruit apprentices aged over 19 (22% said this was very likely).

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Appendix A: Profile of employer respondents to the quantitative survey

Sector of employer	n=68
Construction	26%
Engineering	18%
Manufacturing	7%
Leisure, Sport and Travel	7%
Management and Professional	6%
Retailing and Customer Service	6%
Hair and Beauty	4%
Healthcare and Public Services	3%
Transport	1%
Business Administration	1%
Employer size	
Micro businesses (1-9)	78%
Small (10-50)	21%
Medium or large (50+)	1%
Region	
North Wales	35%
Mid Wales	28%
South East Wales	22%
South West Wales	21%
Previous involvement in apprenticeships	
Not previously taken on an apprentice before the scheme	72%
Previously had taken on an apprentice before the scheme	26%