



The Value of Apprenticeships to Wales

Report presented to the
National Training Federation for Wales
by Arad Research, September 2015

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Foreword

The National Training Federation for Wales (NTfW) is the representative body of those organisations in Wales that deliver learning in the workplace. Members range from small specialist training providers to national and international organisations, as well as local authorities, further education institutions and third sector organisations. Our members work in rural, urban, bilingual and Welsh Medium settings have links with over 35,000 employers across Wales ranging from small enterprises through to large multi-nationals and public sector organisations. All training providers who are commissioned by the Welsh Government to deliver work-based learning (WBL) programmes in Wales are members of the NTfW. Work-based learning covers a number of employability and skills programmes within Wales, but the focus of this research report is on the Welsh Government's Apprenticeship Programme.

We are proud of the success of the Apprenticeship Programme in Wales. Wales is leading the UK.

Through the commitment, hard work and dedication of employers, training providers and Welsh Government over recent years our apprenticeship success rate has grown to an impressive 84%, considerably higher than the 69% success rate seen in England. The Apprenticeship Programme has developed to be recognised as the gold standard in vocational education, and is rightly seen as a flagship Welsh Government policy that enjoys cross party support and endorsement.

This growing success is due to many factors and one of the most important is the continuation of support by successive Welsh Governments to the Apprenticeship Programme, which has enabled the sector to plan and invest strategically. Another vital component in the success is the relationship developed between training providers and employers across Wales. Mutual trust and the expectation of high quality training and employment opportunities has enabled the programme and delivery to mature and develop successfully.

Successive governments have prioritised funding for apprenticeship programmes, with the support of all political parties, and the NTfW have commissioned this report in order to identify and highlight the key benefits of apprenticeships for all those involved, and in so doing provide a body of evidence which demonstrates the value of apprenticeships to Wales. Our intention is to inform not only the development of policy across all levels of education and training but also the advice and support given to young people as they progress into employment.

We believe the evidence presented in this report endorses the continued commitment to apprenticeships in Wales. In a time of pressure on public finances we understand that government must face difficult budgetary decisions, and the information highlights not only the benefits to individuals, employers, the economy and to society but also endorses the historic decisions to prioritise spending in this area. With a £74 return for every £1 invested compared to a £57 return for every £1 invested for the average HE degree, and a typical apprenticeship framework costing around £4,000 to £16,000 compared to at least £27,000 for an undergraduate degree, we look forward to this report being considered as part of future budgetary discussions. Investment by employers into the apprenticeship programme through subsidy (wages) and training, mentoring and supervision also need to be considered and are not factored into these figures.

It is also clear that investment in apprenticeships ensures delivery of other key government targets and priorities such as plugging the skills gap and addressing the number of young people not in education, employment or training.

The NTfW strongly believes that for far too long, apprenticeships have been seen as the

poor relation to a traditional academic route and the evidence presented in this report addresses some of the misinformation and misconceptions that exists. In addition to the key benefits of the value of apprenticeships identified in this report, more needs to be done to highlight that apprenticeships are equally suited for the more able and talented. Furthermore, we believe that more work needs to be done to highlight the opportunity to acquire higher education qualifications via the apprenticeship route. This report, and others based on English evidence, would suggest the apprenticeship route through to higher education provides a better return on investment for Government, employers and learners.

The NTfW recognises that there are developments with apprenticeship policy at a UK Government level that, despite devolution, could have a significant impact on the delivery of apprenticeships in Wales. The increased focus on apprenticeships by the UK Government is welcomed, and is likely to raise employers' and individuals' awareness and demand for apprenticeships in the future. However, it is worth noting that Wales has a different, and we would argue more quality focused, apprenticeship model which delivers better outcomes for employers and apprentices, something in which we are all able to take pride in here in Wales.

The NTfW welcomes, and shares, the current Welsh Government's vision for apprenticeships, which is to develop a responsive and resilient apprenticeship system, that will support employers to develop and deliver apprenticeships that are innovative and industry focused. The system needs to support economic growth, be responsive to the needs of the future economy, provide a range of skills that aid social mobility and ensure equality of opportunity. We support the goal to continue to maintain an extremely successful apprenticeship programme that is highly regarded by employers, individuals and parents.

We do believe however that policy changes are needed in order for parity of opportunity and esteem between vocational and academic education to be realised. These changes include:

- *The setting of national targets for the number of apprenticeship places for school leavers, at age 16 and 19;*
- *Significant changes at school: including reviewing points of progression to work based learning, ensuring vocational opportunities are part of the curriculum changes, an enhanced, simplified, fully integrated and mandated common application process and urgent action to halt the decline in work experience.*
- *Review of funding post 16 learning with a view to rebalancing funding, addressing disincentives and ensuring that the funding follows the learners.*
- *Incorporating apprenticeship targets in public procurement*

We believe that this report is an important contribution to the on-going discussions regarding supporting economic growth, up-skilling the Welsh workforce, public investment priorities and ensuring all young people reach their full potential. We look forward to working with all stakeholders to ensure that Wales has a robust and strategic vision for apprenticeships for the future, building on past success, ensuring that more young people and employers have a better awareness and access to apprenticeships and in playing our role as training providers to continue to deliver our world class apprenticeship programme here in Wales.



Peter Rees

Chair of the NTfW Executive Board

Executive Summary

Apprenticeships have a significant economic and social value to Wales. In addition to the benefit to employers across the private, public and third sector, apprenticeships also have a significant positive impact on the learners undertaking them. This report provides a comprehensive analysis of the value of apprenticeships to Wales.

An apprenticeship is a work-based training programme. It is an employed position, which offers individuals the opportunity to gain a number of recognised qualifications, and essential skills whilst gaining work experience and earning a wage. Apprenticeships are available to individuals aged 16 or over, and any business in Wales can recruit an apprentice through the Welsh Government's 'flagship' Apprenticeship Programme. A business can take on a new recruit or train existing employees. In 2014, of all employers in Wales 15% have or offer formal apprenticeships; **a further 21% of all employers in Wales plan to offer formal apprenticeships in the future.**

There were 51,550 apprentices in Wales in 2013 /14, of these 25,335 followed a Foundation Apprenticeship (Level 2: comparable to GCSEs Grade A* -C), 20,860 individuals followed an Apprenticeship (Level 3: comparable to A-Level) and 5,355 individuals followed a Higher Apprenticeship (Level 4, 5 and 6: comparable to HNC, HND, Foundation Degree and Honours Degree) Since 2011/12, increased government investment in apprenticeships has coincided with an increase in the number of apprentices, reversing the decline in the number of apprentices between 2006/7 and 2010/11.

The number of apprentices in Wales in 2013/2014 by gender shows that there were **more female apprentices (58%) than male apprentices (42%).** Over the same period, the number of apprentices in Wales by age shows that there were **more apprentices aged 19-24 (34%) and 25-49 years (44%) than in other age groups.**

The healthcare and public services sector has the highest number of apprenticeship programmes in Wales, with 18,545 programmes in 2013/2014. Sectors which have the fewest apprenticeship programmes include media and design (130 programmes), transportation (270) and agriculture (485).

For most sectors there appeared to be a gradual drop in the number of apprenticeship programmes on offer between 2006 and 2011. However from 2011 to 2014, for most sectors, the number of apprenticeship programmes on offer increased. The sectors that saw a significant increase included healthcare and public services; management and professional; and business administration.

For 2013/14, the **overall success rate for all apprenticeships was 84%.** This success rate is considerably higher than the 69% success rate for all apprenticeships in England.

Before undergoing their apprenticeship, individuals take various different career pathways and have previously undertaken different types of training. The largest proportion of individuals who start a Foundation Apprenticeship (Level 2) and an Apprenticeship (Level 3) previously hold a CQFW Level 2 (GCSE A* - C or comparable) qualification as their highest. However, it is worth noting that in both cases, **a significant amount of individuals hold a CQFW Level 3 (A-level or comparable) qualification prior to starting their apprenticeship.** The largest proportion of individuals who start a Higher Apprenticeship (Level 4 and above) previously hold a CQFW Level 3 qualification as their highest.

The latest information available from the Welsh Government (July 2015) indicates that **nearly 13% of individuals leaving the Jobs Growth Wales programme go on to undertake an apprenticeship programme either with their existing or new employer.**

Benefits to business

Apprenticeships are estimated to contribute a gross productivity gain of £2.4 billion to the UK economy (CEBR, 2013). A typical apprenticeship completer is understood to raise productivity by £214 per week. At a sectoral level, apprenticeships are estimated to raise the productivity of a typical completer by:

- £83 per week in the retail sector
- £114 in the healthcare, public services and care sector
- £268 in the business, administration & legal sector
- £401 in the construction and planning sector; and
- £414 in the engineering and manufacturing sector

However, it must be recognised that the above **productivity gains are only achieved upon completion, and in most sectors, there is an initial negative net gain to employers, due to the level of training required before an apprentice's productive capacity approaches that of a skilled worker.** However, once apprentices are trained, the benefits to employers in terms of apprentice outputs (e.g. increased productivity) will start to overtake the apprentice training costs incurred to employers.

The most commonly enjoyed benefits for hiring apprentices are improvements in product or service quality (72%), productivity (68%) and staff morale (87%).

Benefits to the economy

An evaluation report of Work Based Learning in Wales, 2007-2011 (Welsh Government, 2014) illustrates the economic and social value of apprenticeships in Wales. In terms of the economic value of apprenticeships, the report provides an estimate of the value of apprentices to the Welsh economy:

- Foundation Apprenticeship (Level 2) annually generates around £510 million value to the Welsh economy (based on latest participation levels).
- Apprenticeship (Level 3) annually generates a similar £500 million value.¹

More recent figures from (DBIS, 2015) suggest that the return on investment for each pound of public money spent on apprenticeships is higher than the Net Present Value figures used in the above study. The new evidence from the DBIS study suggests a Net Present Value of £26 for a Level 2 Apprenticeship (60% higher than the previous NAO estimate), and £28 for a Level 3 Apprenticeship (30% higher than the previous NAO estimate) (see Table 2 below). This means that the overall economic impact generated by apprenticeships in Wales could be much higher than previously thought.

Furthermore, research shows that the net gain for the taxpayer for funding an apprenticeship is equal to 57 per cent of that for a graduate and the net gain from higher apprenticeships (estimated based on NVQ Level 4 and 5 data) is estimated to be higher at 65 per cent of a graduate². However, the return on investment for apprenticeships per pound of expenditure compares significantly better: a **£74 return for every £1 invested compared to a £57 return for every £1 invested for the average degree.** The only degrees to generate a return in excess of an apprenticeship were 'medicine' and 'engineering'.

The higher returns per pound above reflect the higher costs associated with degree courses compared with apprenticeships. **The typical cost of an apprenticeship framework in Wales ranges from around £4,000 to £16,000. This compares favourably to an undergraduate degree which typically costs at least £27,000.**

¹ This estimate of the value of apprentices to the Welsh economy was calculated by assuming a return of £16 to each pound of public money spent on a Level 2 Apprenticeship and £21 on a Level 3 Apprenticeship (National Audit Office, 2012). The estimate also assumed that expenditure on Level 2 Apprenticeships was £32-£36 million and Level 3 Apprenticeship was £24-28 million (Welsh Government, 2014).

² Walter, W. & Malhotra, S. (2014), Varsity Blues: Time for apprentices to graduate?

Benefits to individuals

Individuals with an Apprenticeship³ as their highest level of qualification earn more on average than those with NQF Level 1, Level 2 and Level 3 qualifications. **Gross median pay for those with an Apprenticeship is £392 per week compared with £319 for those with NQF Level 3 qualifications.**

The earnings of those in younger age groups (up to the age of 24) with an Apprenticeship are higher in Wales than those with higher level qualifications (those with NQF Level 4 and above). **Those aged 16-24 with an Apprenticeship earn an average gross weekly wage of £288, compared with £276 for those with NQF Level 4 and above and £201 for those with NQF Level 3.** The earnings of those with NQF Level 4 qualifications do not overtake the earnings of those with an Apprenticeship until they are in the 25-34 age group.

Individuals with an Apprenticeship as their highest level of qualification are more likely to be employed and economically active compared with those with NVQ Level 1, Level 2 and Level 3 qualifications. **Over three quarters (77.5%) of those who have a an Apprenticeship were in employment** (3.8% were unemployed and 18.7% were economically inactive) compared with 71% of those with Level 3 qualifications.

The percentages of those with an Apprenticeship aged between 16 and 39 who are economically active is higher in Wales than the percentage of those with higher level qualifications (those with NVQ Level 4 and above); **96.1% of those aged 20-24 with an Apprenticeship are economically active compared with 83.8% of those with NVQ Level 4 and above and 63.1% of those with NVQ Level 3.**

The percentage of those with NVQ Level 3 and Level 4 qualifications as their highest qualification that are economically active does not exceed the percentage of those with an Apprenticeship until they are in the 40-49 age group.

In terms of the social value of apprenticeships, 86% of apprentices who completed a survey as part of the evaluation of Work Based Learning in Wales, 2007-2011 (Welsh Government, 2014) noted that the apprenticeship had increased their self-confidence, and 70% said the apprenticeship was very relevant to their long-term career goals.

In addition to ‘soft’ benefits, apprenticeships benefit apprentices financially. An evaluation report on Work Based-learning in Wales (2007-2011) published by the Welsh Government illustrates the economic and social value of apprenticeships in Wales. It reports the following for England:

- *The value ('net present value') of a Foundation Apprenticeship (Level 2) to individuals ranges between £48,000 and £74,000 in additional lifetime earnings.*
- *The value ('net present value') of an Apprenticeship (Level 3) to individuals ranges between £77,000 and £117,000 in additional lifetime earnings.*

Future demands and needs

Projections of the labour market highlight that apprenticeships will continue to play an important role in the future. Employment in Wales is projected to grow by 0.4 per cent per annum between 2012 and 2022. An increase in employment from 1.36m to 1.42m is projected in Wales, resulting in **around 57,000 more people being in employment in 2022 compared to 2012.** In addition to the increase in the number of people in employment, there is also a need to replace workers who have left the labour market due to a variety of reasons.

Between 2002 and 2022, the proportion of those in employment who are qualified at QCF level 4-6 is projected to have almost doubled from 21 per cent to 38 per cent. Similarly, the proportion qualified to levels 7-8 is projected to have almost trebled, from 5 per cent to 14 per cent. **By 2022 it is projected that over half of those in employment in Wales will hold qualifications at level 4 or above.** This is in contrast to around a quarter in 2002.

³ The Office for National Statistics use the term ‘Trade Apprenticeships’ in the Annual Population Survey (APS) to refer to a formal apprenticeship at any level (including trade / advanced / foundation / modern apprenticeships). In this report, we use the term ‘Apprenticeships’ instead of the term Trade Apprenticeships when referring to ONS APS data.

1. Introduction

The National Training Federation for Wales (NTfW) commissioned Arad Research, working in partnerships with Deryn Consulting, to undertake research into the value of apprenticeships to Wales. The aims of the research were to:

- *Research available data on the impact of expenditure on apprenticeships on the Welsh economy and businesses in Wales;*
- *Present data relating to the impact of apprenticeships on learners;*
- *Review available information on the impact of expenditure on apprenticeships on skills within the public sector in Wales;*
- *A comparison of Wales-level data with UK-wide data on apprenticeships, including completion rates.*

This report outlines the findings of the research.

1.1 Methodology

The methodology for the research has included the following:

- *An inception meeting with NTfW and Deryn staff to discuss the aims of the research and to identify potential sources of information for the research;*
- *A review of literature on the impact of apprenticeships on learners, companies and the wider economy;*
- *An analysis of secondary data on apprenticeships in Wales including the impact on earnings and employment of those with apprenticeships;*
- *Case studies to demonstrate the impact of apprenticeships on individuals and businesses.*

1.2 This report

This report sets out the emerging findings of the evaluation based on evidence from desk-based research. The remainder of the report is structured as follows:

- *Section 2 provides an overview of the available data on apprenticeships in Wales, including the most recent trends;*
- *Section 3 focuses on the labour market outcomes achieved by those with apprenticeships, in particular earning and employment rates;*
- *Section 4 considers the evidence relating to the wider economic and social benefits of apprenticeships;*
- *Section 5 looks briefly at future demands and needs of the labour market, and in particular the role that apprenticeships can play in addressing the demand for skills and qualifications*
- *Section 6 includes case studies from employers – within the private and public sector that have benefitted from apprenticeships in Wales.*

2. Overview of apprenticeships in Wales

This section provides an overview of the most recent national data relating to apprenticeships in Wales. It begins by providing a summary of the number of apprentices in Wales (section 2.1), outlines the number of apprenticeship programmes in Wales (section 2.2) and finally outlines the most recent data on completion rates for apprenticeships (section 2.3).

2.1 What is an apprenticeship?

An apprenticeship is a work-based training programme. It is an employed position which offers individuals the opportunity to gain a number of recognised qualifications and essential skills whilst gaining work experience and earning a wage.

An apprenticeship consists of a combination of on-the-job training, where the apprentice will work alongside experienced colleagues to gain job-specific skills, and outside training from a training provider, where the apprentice will work towards a number of nationally recognised qualifications. An apprenticeship therefore involves a tri-partite relationship between the employer, the individual and the training provider.

Apprenticeships are available to individuals aged 16 or over and any business in Wales can recruit an apprentice through the Welsh Government's 'flagship' Apprenticeship Programme. A business can take on a new starter or train existing employees. In 2014, of all employers in Wales 15% have or offer apprenticeships; a further 21% plan to offer formal apprenticeships in the future⁴. Support towards the cost of training and assessment is available to businesses in Wales.

There are three different levels of apprenticeships in Wales as different jobs require different levels of qualifications. These levels include the following:

- *Foundation Apprenticeship - a Level 2 qualification (comparable to GCSEs Grade A* - C)*
- *Apprenticeship – a Level 3 qualification (comparable to A level)*
- *Higher Apprenticeship – a Level 4, 5 or 6 qualification (comparable to HNC, HND, Foundation Degree and Honours Degree)*

Normally an apprenticeship will last between two and three years. However, the length of time it takes to complete an apprenticeship depends on the level of the qualification and the number of hours the apprentice is working per week. Employment must be for at least 30 hours per week. However in the minority of circumstances where the apprentice cannot complete the full 30 hours, employment must be for more than 16 hours per week.

To an extent, the amount an apprentice is paid is up to the employer. There is a national minimum wage for apprentices which is £2.73 per hour for apprentices aged under 19 and apprentices aged 19 or over in the first year of their apprenticeship. This minimum wage applies to time working as well as time spent training for the apprenticeship. Employers must ensure that they are paying at least this minimum wage. The Apprentice Minimum Wage is set to increase by 57p per hour to £3.30 per hour from October 2015.

2.2 Number of apprentices in Wales

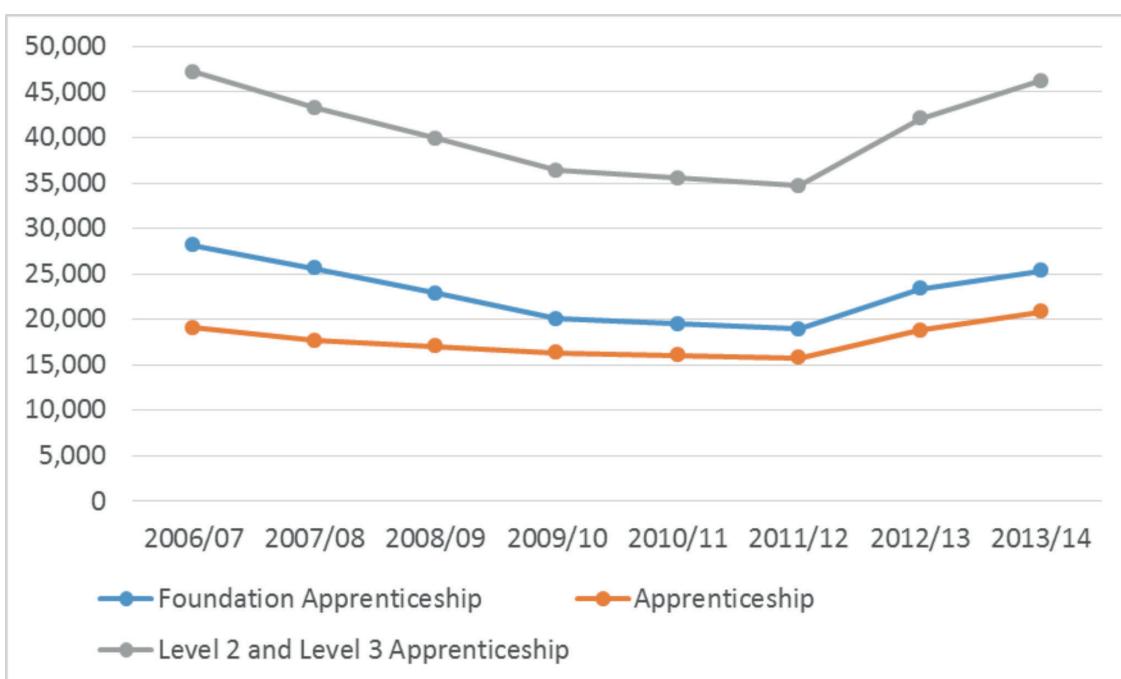
In 2013/14 there were 46,195 Level 2 and Level 3 apprentices in Wales according to the most recent Welsh Government data. An examination of data for earlier years suggests that this most recent data represents a reversal of the trend seen over the last eight years. A summary of this data is provided below.

The number of Level 2 and Level 3 apprentices in Wales has increased by 11,515 (from 34,680 to 46,195) between the academic years 2011/12 and 2013/14. Previous Welsh Government data shows a decline in the number of individuals undergoing an apprenticeship in Wales each year from 2006 to 2011.

⁴ Employer Perspective Survey 2014, UK Commission for Employment and Skills (UKCES)

As summarised in Figure 1 below, this data shows how the number of Level 2 and Level 3 apprentices in Wales decreased from 47,185 in 2006 to 34,680 in 2012. Then in 2012/13 the number of apprentices in Wales started to increase, although the figures remain below those seen in 2006.

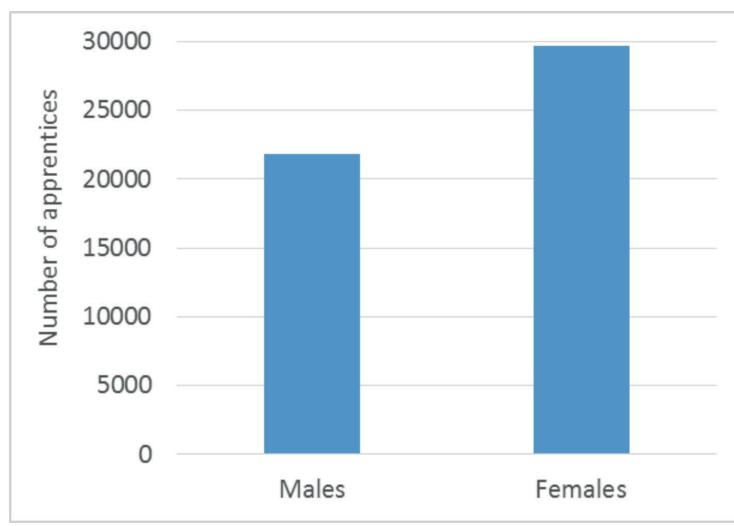
Figure 1. Number of apprentices in Wales by year



Source: LLWR (the Lifelong Learning Wales Record) post-16 database as reported in Statistics for Wales publications

The number of apprentices in Wales in 2013/2014 by gender shows that there were more female apprentices (29,710 / 58%) than male apprentices (21,840 / 42%). This data can be seen in Figure 2 below. This trend in the data appears to be relatively constant over the last 10 years, with figures for the number of individuals undergoing an apprenticeship each year showing more female than male apprentices.

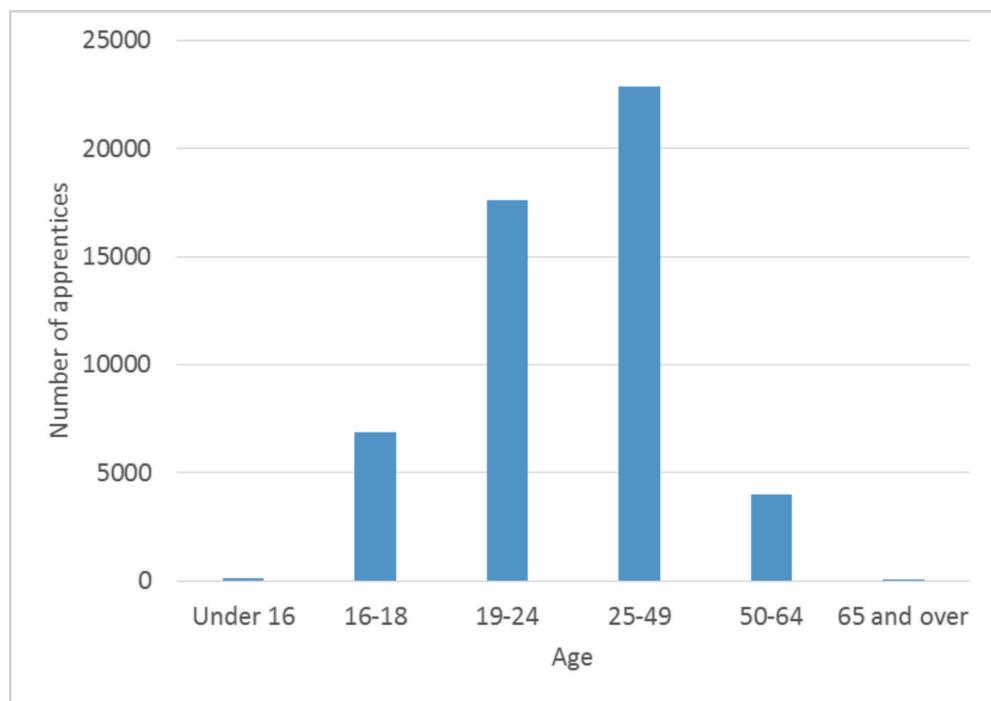
Figure 2. Number of apprentices in Wales in 2013/14 by gender



Source: Welsh Government

Welsh Government data on the number of apprentices in Wales in 2013/14 by age shows that there were more apprentices aged 19-24 (17,625 / 34%) and 25-49 years (22,870 / 44%) than in other age groups. In 2013/14 there were very few apprentices under 16 years of age (120 / 0.23%) and over 65 (45 / 0.08%). This data can be seen in Figure 3 below. Data relating to the number of apprentices in Wales by age group over the last 10 years shows a similar trend each year, with more apprentices in the 19-24 and 25-49 age groups than in other age groups.

Figure 3. Number of apprentices in Wales in 2013/14 by age

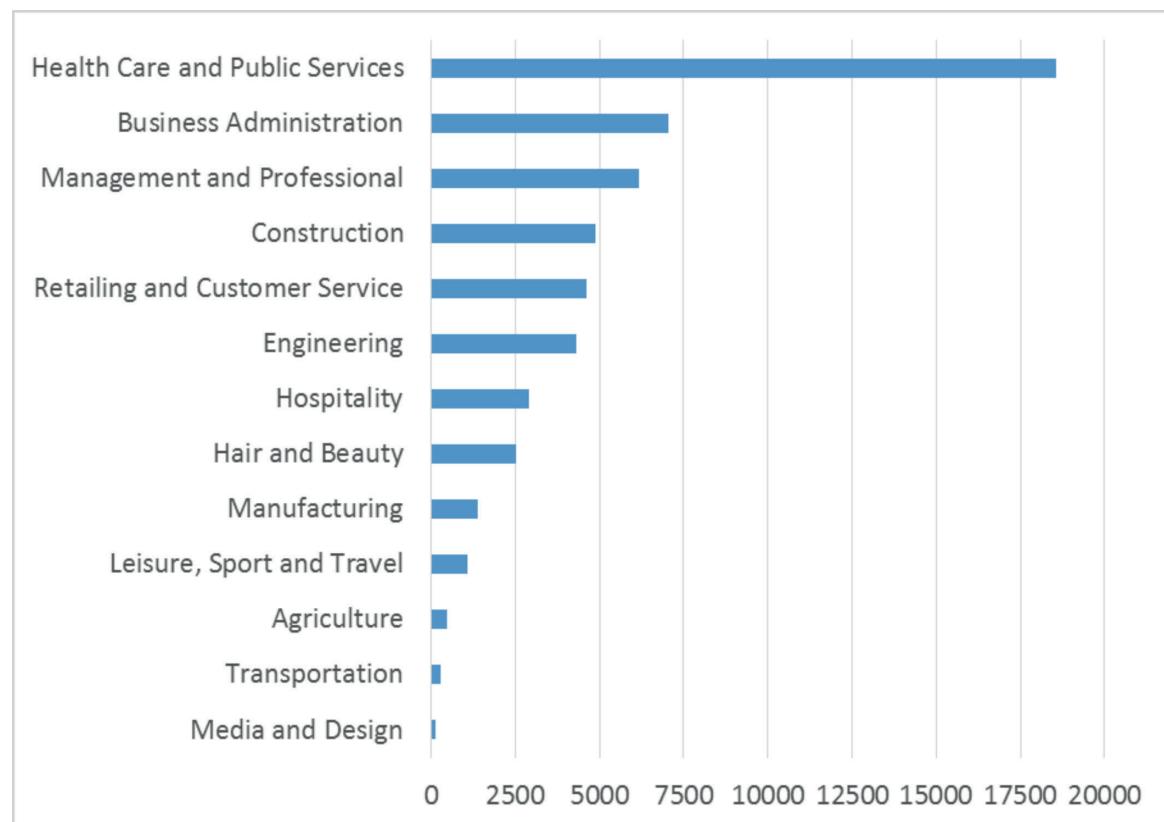


Source: Welsh Government

2.3 Number of apprenticeship programmes in Wales

Welsh Government data on the number of apprenticeship programmes in Wales in 2013/14 shows that the healthcare and public services sector has the highest number of apprenticeship programmes, with 18,545 programmes in 2013/2014. Sectors which have the fewest apprenticeship programmes include media and design (130 programmes), transportation (270) and agriculture (485). The findings from this data are summarised in Figure 4 below.

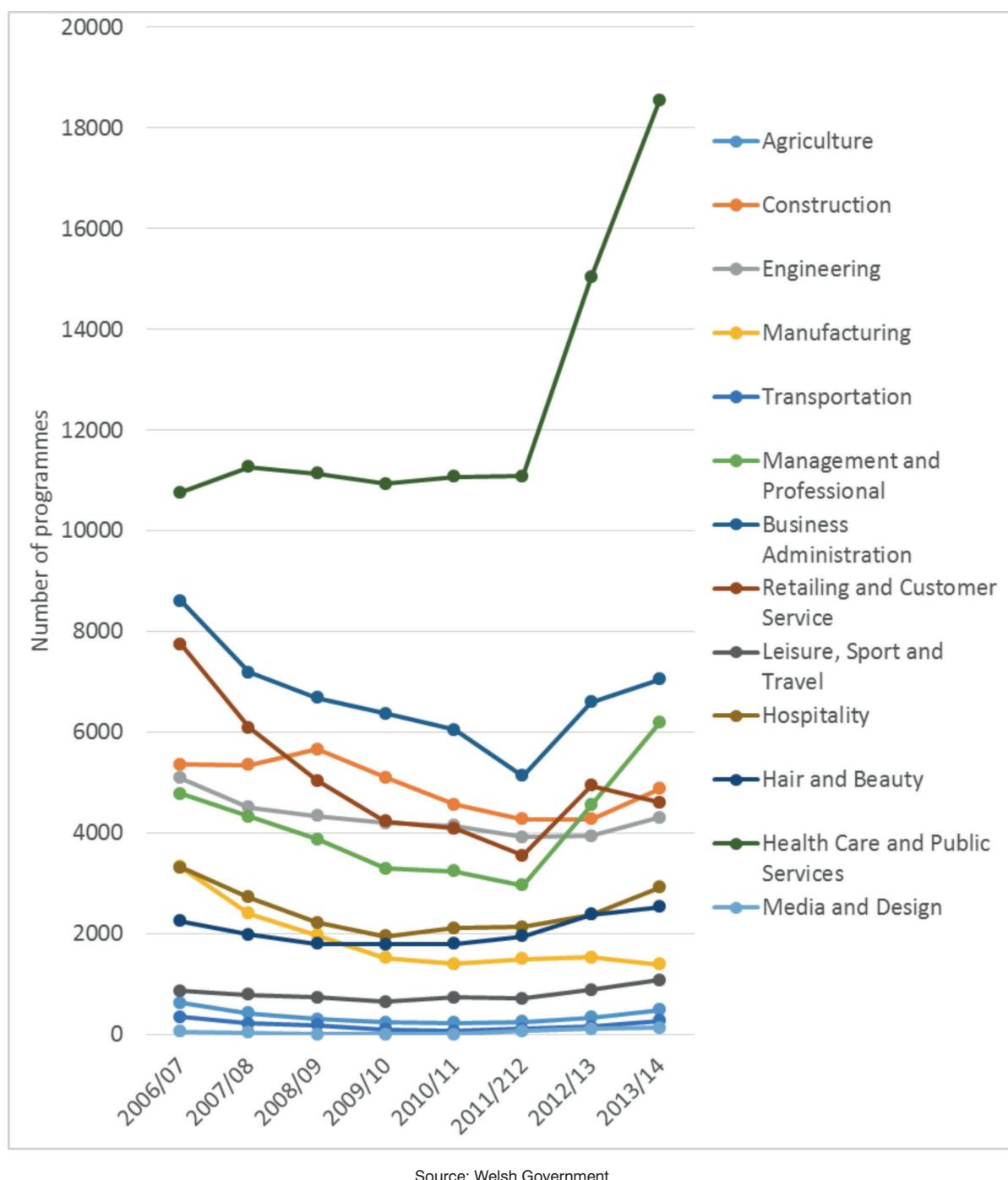
Figure 4. Number of apprenticeship programmes by sector, 2013/14



Source: Welsh Government

On average, for most sectors there appeared to be a gradual drop in the number of apprenticeship programmes on offer between 2006 and 2011. However from 2011 to 2014, for most sectors, the number of apprenticeship programmes on offer increased. The sectors that saw a significant increase included healthcare and public services; management and professional; and business administration. Figure 5 provides a summary of these findings.

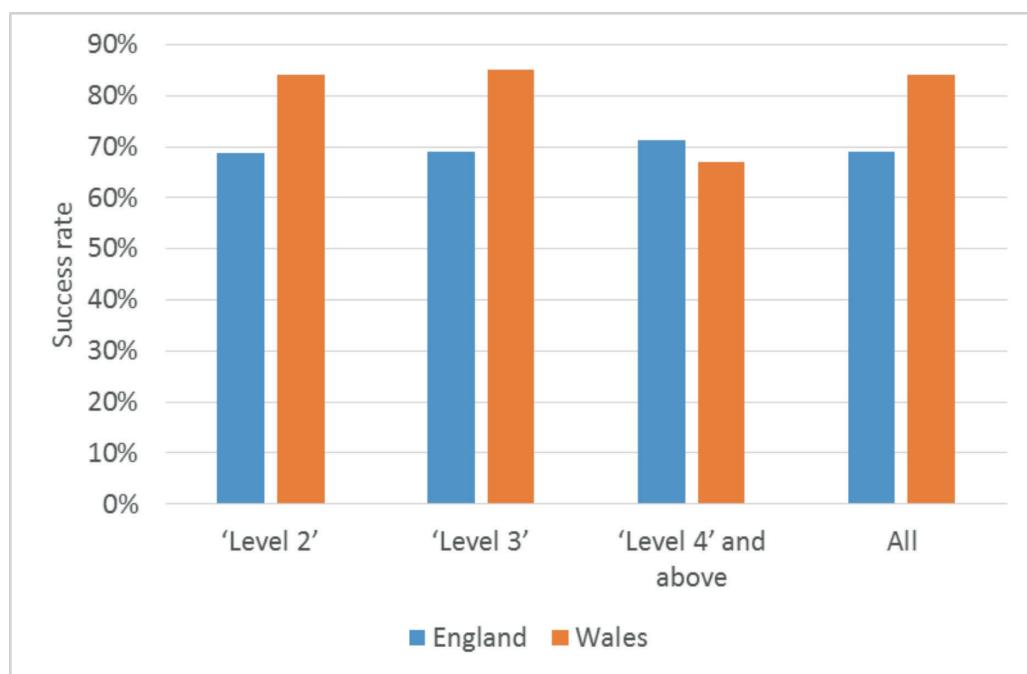
Figure 5. Number of apprenticeship programmes by sector and year



2.4 Apprenticeship success rates

Data from Lifelong Learning Wales Record (LLWR) presented in a Welsh Government statistical release⁵ shows high success rates for apprenticeships in 2013/14 in Wales. Overall the success rate was 84% for all apprenticeships. This success rate is considerably higher than the 68.9% success rate for all apprenticeships in England in 2013/14, as reported in a Statistical release published by the Department for Business Innovation & Skills⁶.

Figure 6. Comparison of success rates for apprenticeships between Wales and England in 2013/14



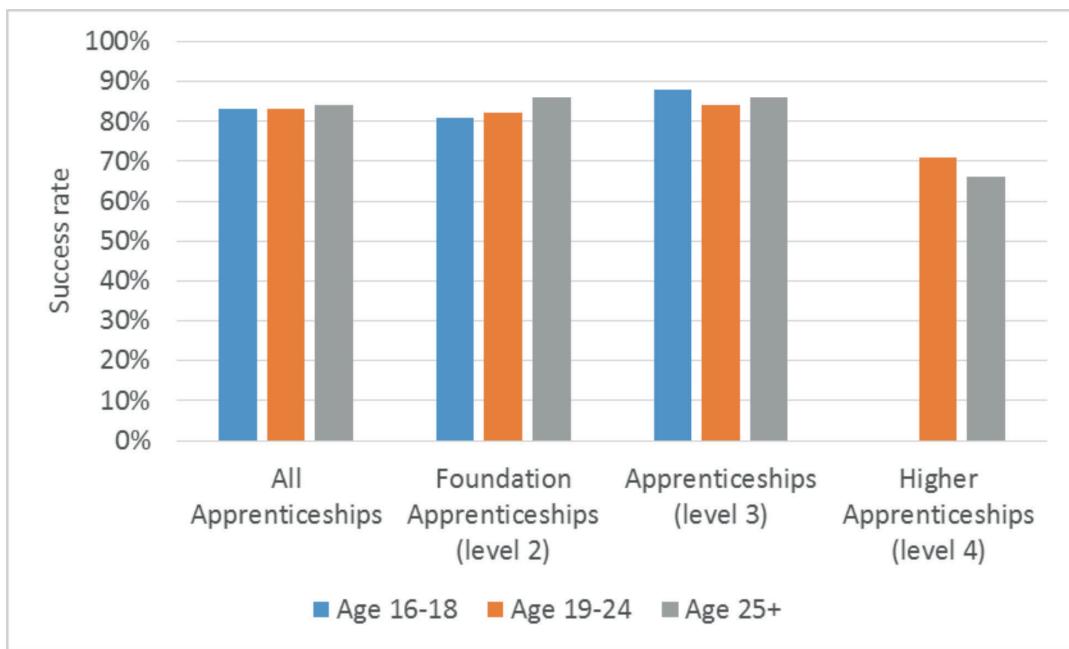
Source: Lifelong Learning Wales Record (LLWR) and Individualised Learner Record (ILR) collections

⁵ Learner Outcome Measures for Further Education, Work-Based Learning and Adult Community Learning: 2013/14 (March 2015).

⁶ Further Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held (March 2015)

Figure 7 below presents success rates for apprenticeships by three different age groups for 2013/14. This shows that for each level of apprenticeship, success rates vary only slightly between age groups. For Level 2 apprenticeships, the 25 and above age group has the highest success rate of 86%. For Level 3 apprenticeships, the 16-18 age group has the highest success rate of 88%. The highest success rate for the Level 4 apprenticeships is achieved by the 19-24 age group (71%).

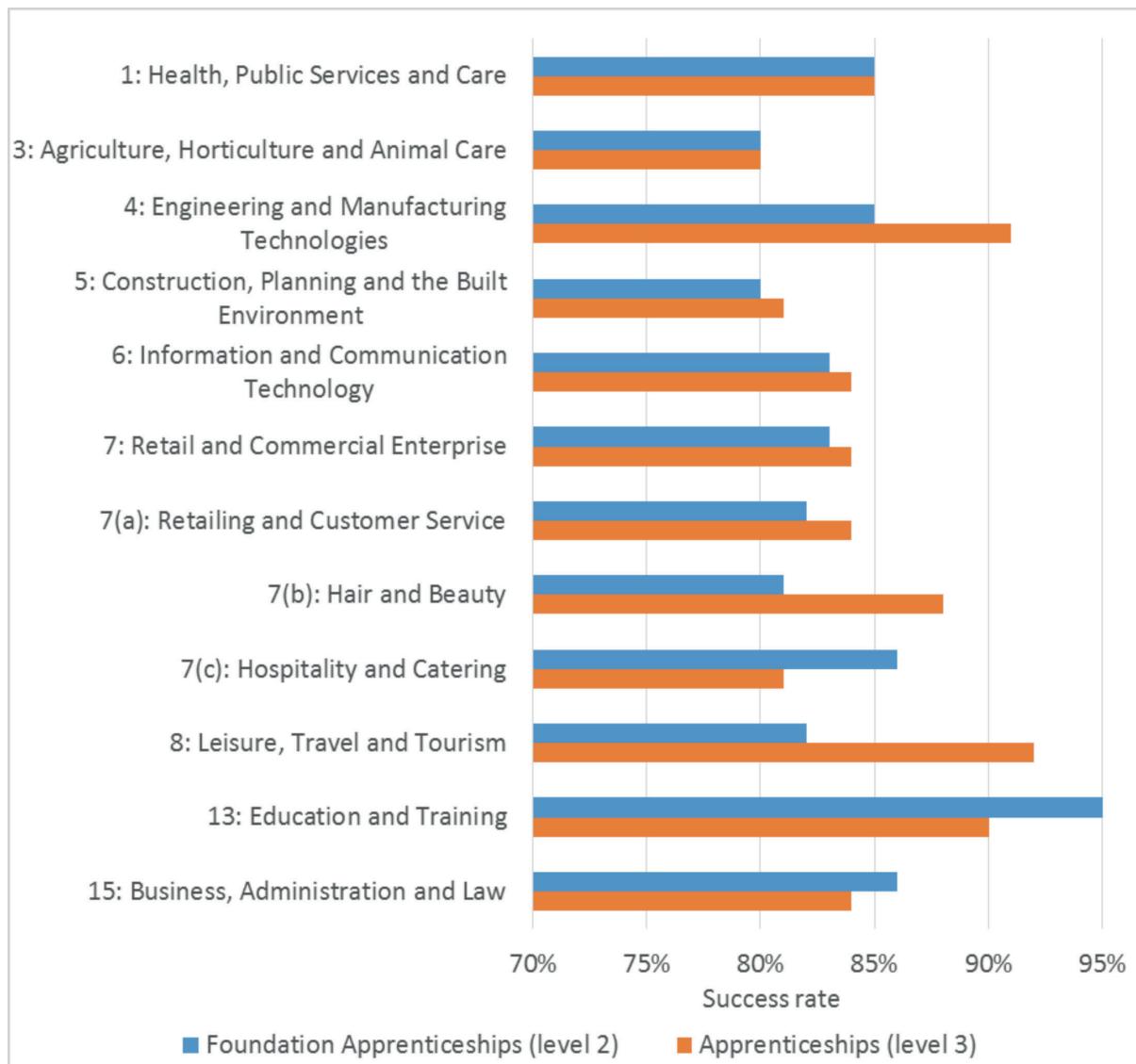
Figure 7. Success rates for apprenticeships by age group in 2013/14



Source: Lifelong Learning Wales Record (LLWR)

Figure 8 below presents success rates for apprenticeships (Level 2 and Level 3) by the different sector subject areas. This shows that there is very little difference in the apprenticeship success rates between different sector subject areas. Success rates for Level 2 apprenticeships ranged from 80% to 95%, with Level 2 apprenticeships within the education and training sector subject achieving the highest success rate of 95%. Success rates for Level 3 apprenticeships ranged from 80% to 92%, with Level 3 apprenticeships within the leisure, travel and tourism sector subject achieving the highest success rate of 92%.

Figure 8. Success rates for apprenticeships by sector subject



Source: Lifelong Learning Wales Record (LLWR)

Data from an evaluation of Work-based Learning in Wales, 2007-2011 published by the Welsh Government shows high completion rates for apprenticeships (see Table 1 below). Key findings from the data include:

- *The overall completion rate for Foundation Apprenticeships in Wales in 2010/11 was 79% and for Apprenticeships it was 81%.*
- *Similar to the apprenticeship success rates reported above, Table 1 shows completions rates were highest for apprenticeships within the education and training sector subject in 2010/11, with completions rates of 93% for Foundation Apprenticeships and 88% for Apprenticeships.*
- *Since 2006/07 the overall completions rates for all apprenticeships have increased by 20% or more.*
- *Since 2006/07, the highest completion rate increase has occurred for hospitality and catering Foundation Apprenticeships (increased by 29%) and Apprenticeships (increased by 37%).*

Table 1. Completion rates for Foundation Apprenticeships and Apprenticeship in 2010/11 and increase since 2006/07

	Completion of Foundation Apprenticeship in 2010/11	Increase in rate since 2006/07* (percentage points)	Completion of Apprenticeship in 2010/11	Increase in rate since 2006/07* (percentage points)
Health, public services and care	78	+22	79	+26
Agriculture	73	+11	**	**
Engineering and manufacturing technologies	82	+12	85	+19
Construction	69	+23	68	+17
ICT	80	+28	74	+28
Retail and customer service	85	+28	87	+47
Hair and Beauty	72	+14	69	+9
Hospitality and catering	80	+29	81	+37
Leisure, travel and tourism	75	+16	86	+22
Education and training1	93	-	88	-
Business and administration	81	+19	85	+35
All	79	+20	81	+27

N.B. 1 Not delivered in 2006/07

* 'Increase' is the percentage point difference between the percentage of apprentices completing in 2010/11 and the percentage completing in 2006/07

** Too few cases for meaningful analysis

Source: LLWR

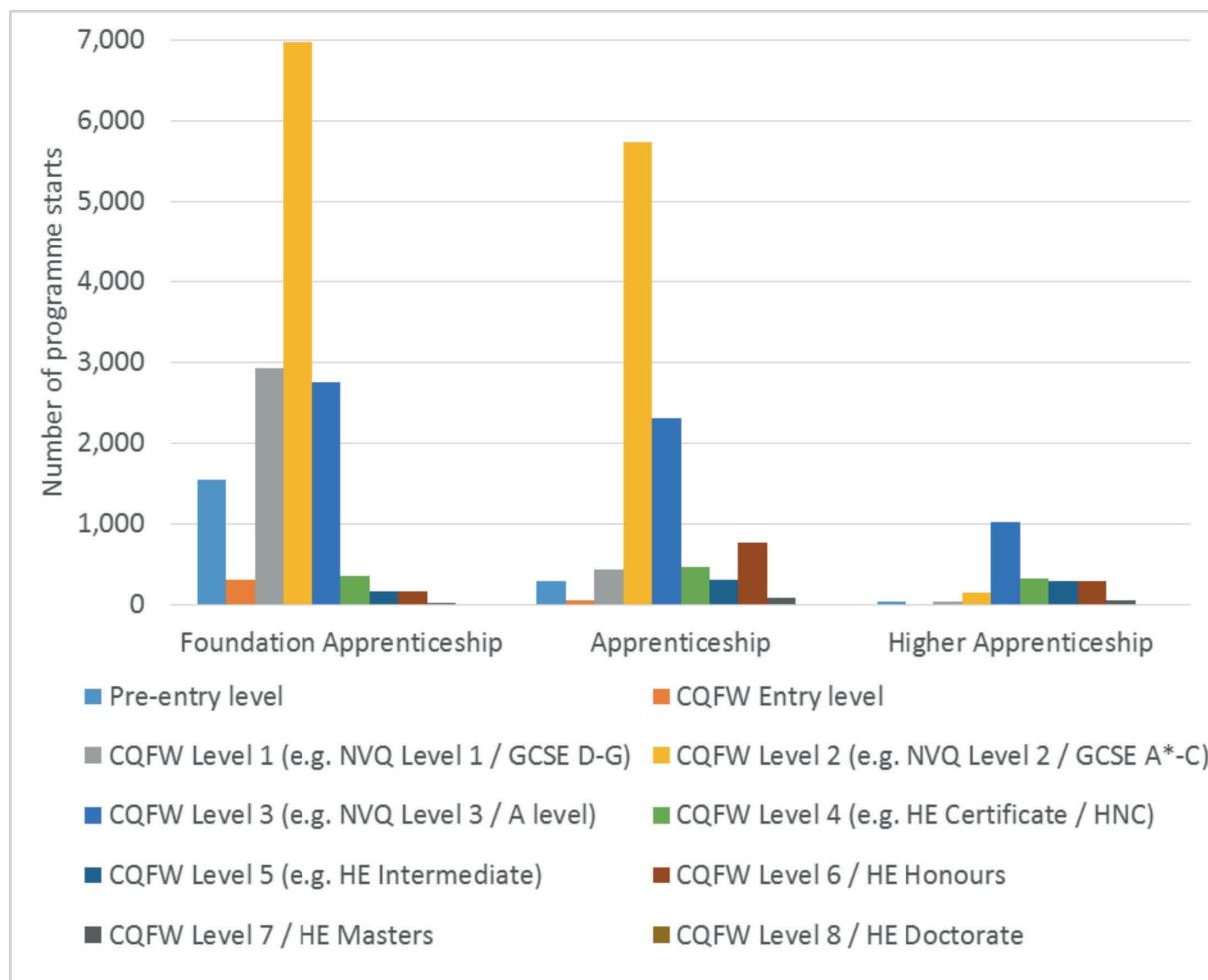
2.5 Progression into and on from apprenticeships

Before undergoing their apprenticeship, apprentices take various different career pathways and have previously undertaken different types of training. Welsh Government data, collected through the Lifelong Learning Wales Record, shows the number of apprentices who started an apprenticeship in 2012/2013 by the highest qualification that they held prior to undergoing the apprenticeship. This data is summarised in Figure 9.

This data shows that the largest proportion of apprentices who started a Foundation Apprenticeship (6,970) and an Apprenticeship (5,740) previously held a CQFW Level 2 as their highest qualification. It also shows that the largest proportion of apprentices who

started a Higher Apprenticeship (1,030) previously held a CQFW Level 3 as their highest qualification.

Figure 9. Numbers of apprenticeship programme starts by level of highest qualification achieved prior to apprenticeship programme, 2012/13



Source: Lifelong Learning Wales Record (LLWR)

Another potential career pathway to an apprenticeship is from a Jobs Growth Wales (JGW) job placement. The Jobs Growth Wales scheme started in April 2012 with the intention of creating 16,000 job opportunities over 4 years for unemployed 16-24 year olds throughout Wales. The programme caters for young people that are job ready but have had difficulty securing employment. The Jobs Growth Wales programme provides unemployed young people aged 16-24 with a job opportunity for a six month period, paid at or above the national minimum wage for a minimum of 25 hours per week and a maximum of 40 hours. Young people will be employed for the duration of the programme and the jobs created must be additional to, and not replace, positions that would otherwise be filled. The ambition for the programme is that the job opportunities will be sustained after the 6 months has completed

The latest information available from the Welsh Government (July 2015)⁸ indicates that of the 14,812 individuals who undertook a Jobs Growth Wales placement 1,879 (12.68%) went on to undertake an apprenticeship either with the existing or new employer.

⁸ <http://gov.wales/statistics-and-research/jobs-growth-wales/?lang=en>

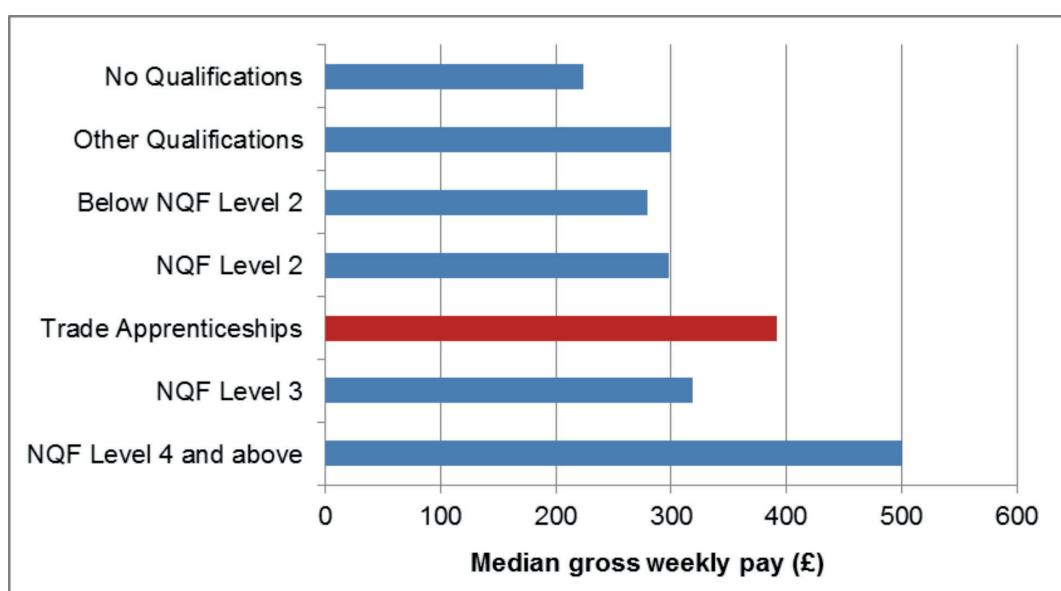
3. Apprenticeships and the labour market

This section outlines our findings relating to the outcomes of apprenticeships on learners, businesses and organisations as well as the wider economy. We begin by focusing on the earnings of those with apprenticeships before considering the economic activity and employment rates of those with apprenticeships.

3.1 Apprenticeships and earnings

Data from the Office for National Statistics on the earnings of individuals in Wales shows that individuals with an Apprenticeship as their highest level of qualification earn more on average than those with NQF Level 1, Level 2 and Level 3 qualifications. Gross median pay for those with an Apprenticeship is £392 per week compared with £319 for those with NQF Level 3 qualifications.

Figure 10. Median gross weekly pay (£) of those aged 16-64 in Wales by highest level of qualification (Year to September 2014)



N.B. The Office for National Statistics use the term 'Trade Apprenticeships' in the Annual Population Survey (APS) to refer to a formal apprenticeship at any level (including trade / advanced / foundation / modern apprenticeships). The data for those with an Apprenticeship does not include those holding both apprenticeships and higher level qualifications (at NQF Level 4 or above). Therefore, data on the earnings of all those with apprenticeships (including those also holding higher level qualifications) would be likely to show still higher earnings.

Source: Annual Population Survey

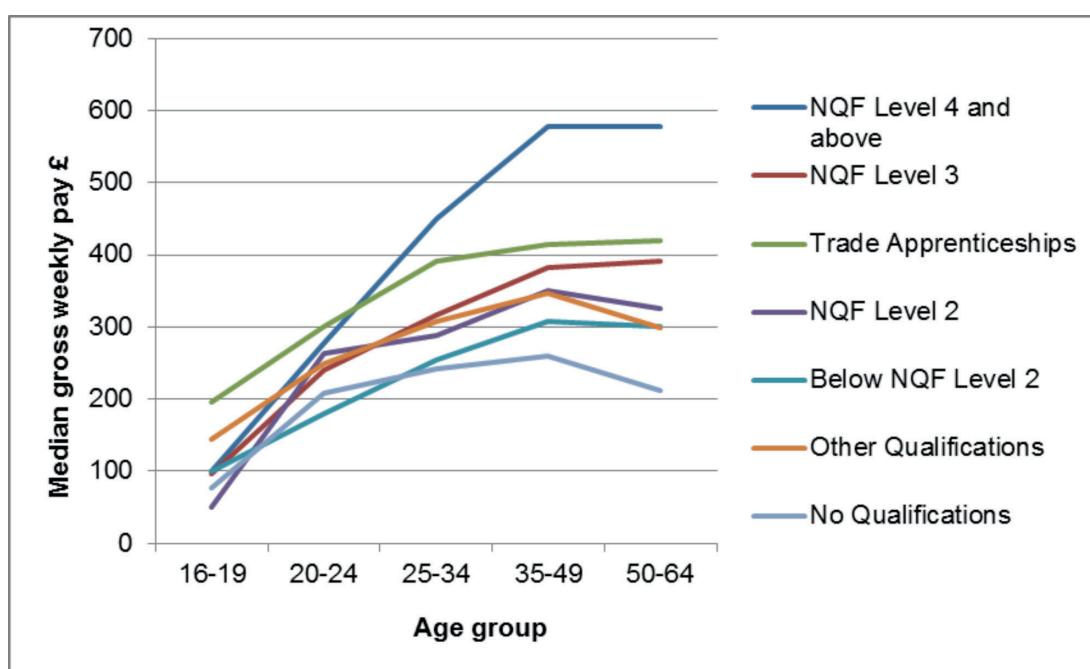
⁹ The Office for National Statistics use the term 'Trade Apprenticeships' in the Annual Population Survey (APS) to refer to a formal apprenticeship at any level (including trade / advanced / foundation / modern apprenticeships). In this report, we use the term 'Apprenticeships' instead of the term Trade Apprenticeships when referring to ONS APS data.

3.1.1 Trends by age group

The earnings of those with an Apprenticeship over a lifetime compare favourably to the earnings of those with other qualifications (see Figure 11 below). Key findings from the data include:

- *The earnings of those in younger age groups (up to the age of 24) with an Apprenticeship are higher in Wales than those with higher level qualifications (those with NQF Level 4 and above).*
- *Those aged 16-24 with an Apprenticeship earn an average gross weekly wage of £288, compared with £276 for those with NQF Level 4 and above and £201 for those with NQF Level 3.*
- *The earnings of those with NQF Level 4 qualifications do not overtake the earnings of those with an Apprenticeship until they are in the 25-34 age group.*
- *The earnings of those with an Apprenticeship are higher than those with NQF Level 3 qualifications across all age groups.*

Figure 11. Median gross weekly pay (£) of those aged 16-64 in Wales by highest level of qualification and age (Year to September 2014)



N.B. The Office for National Statistics use the term 'Trade Apprenticeships' in the Annual Population Survey (APS) to refer to a formal apprenticeship at any level (including trade / advanced / foundation / modern apprenticeships). The data for those with an Apprenticeship does not include those holding both apprenticeships and higher level qualifications (at NQF Level 4 or above). Therefore, data on the earnings of all those with apprenticeships (including those also holding higher level qualifications) would be likely to show still higher earnings.

Source: Annual Population Survey

These findings are consistent with the broader evidence on the earnings premiums associated with apprenticeships. For example, a 2013 UK-wide study (AAT & CEBR, 2013)¹⁰ found that those with Level 2 vocational qualifications or an intermediate apprenticeship receive on average a 20% higher wage than a worker with no qualifications. However, a higher wage premium was found for those with a vocational qualification at Level 4 or higher, including a Higher Apprenticeship. The study concluded that those with vocational qualification at Level

¹⁰ AAT & CEBR (2013); University education: Is this the best route into employment?

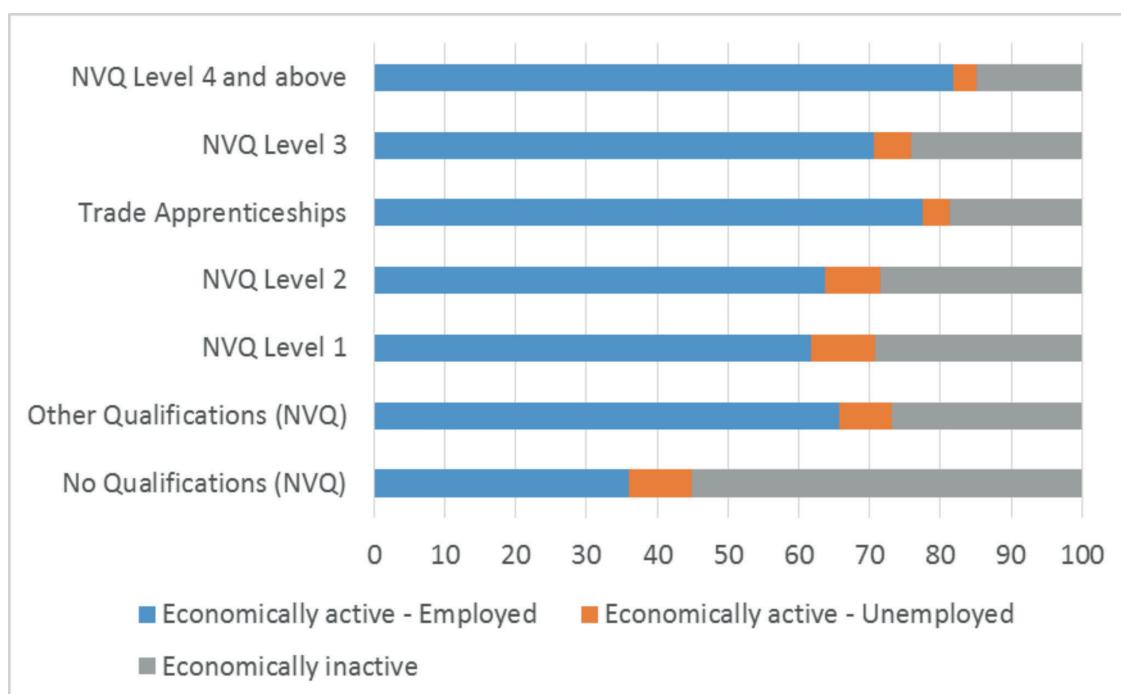
4 or higher earn on average 87% more than those with no qualifications. This suggests that further investigation of the earnings of those with higher level apprenticeships in Wales could demonstrate higher wage premiums for these qualifications.

3.2 Employment and economic activity of apprentices in Wales

Data from the Annual Population Survey on economic activity of individuals aged 16-64 in Wales by qualification shows that individuals with an Apprenticeship as their highest level of qualification are more likely to be employed and economically active compared with those with NVQ Level 1, Level 2 and Level 3 qualifications. Those with an Apprenticeship are also less likely to be economically inactive compared with those with NVQ Level 1, Level 2 and Level 3 qualifications.

Figure 12 below shows that over three quarters (77.5%) of those who have an Apprenticeship were in employment (3.8% were unemployed and 18.7% were economically inactive) compared with 71% of those with Level 3 qualifications.

Figure 12. Percentage of those 16-64 in Wales economically active and economically inactive by highest level of qualification (January to December 2013)



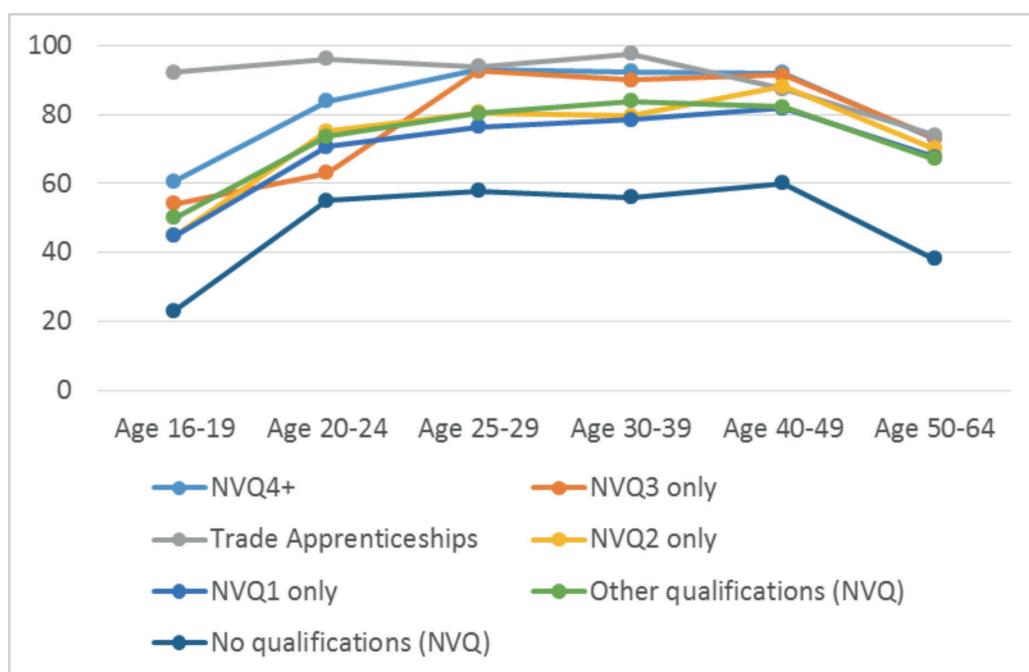
Source: Annual Population Survey

3.2.1 Trends by age group

An examination of the data by age group shows that the economic activity rate of those with an Apprenticeship is higher than the economic activity rate of those with other qualifications (see Figure 13 below). Key findings from the data include:

- *The percentages of those with an Apprenticeship aged between 16 and 39 who are economically active is higher in Wales than the percentage of those with higher level qualifications (those with NVQ Level 4 and above)*
 - *96.1% of those aged 20-24 with an Apprenticeship are economically active compared with 83.8% of those with NVQ Level 4 and above and 63.1% of those with NVQ Level 3.*
 - *94% of those aged 25-29 with an Apprenticeship are economically active compared with 93.2% of those with NVQ Level 4 and above and 92.7% of those with NVQ Level 3.*
 - *97.7% of those aged 30-39 with an Apprenticeship are economically active compared with 92.4% of those with NVQ Level 4 and above and 90% of those with NVQ Level 3.*
- *The percentage of those with NVQ Level 3 and Level 4 qualifications as their highest qualification who are economically active does not exceed the percentage of those with an Apprenticeship until they are in the 40-49 age group.*

Figure 13. Percentage of those 16-64 in Wales who are economically active by highest level of qualification and age (January to December 2013)



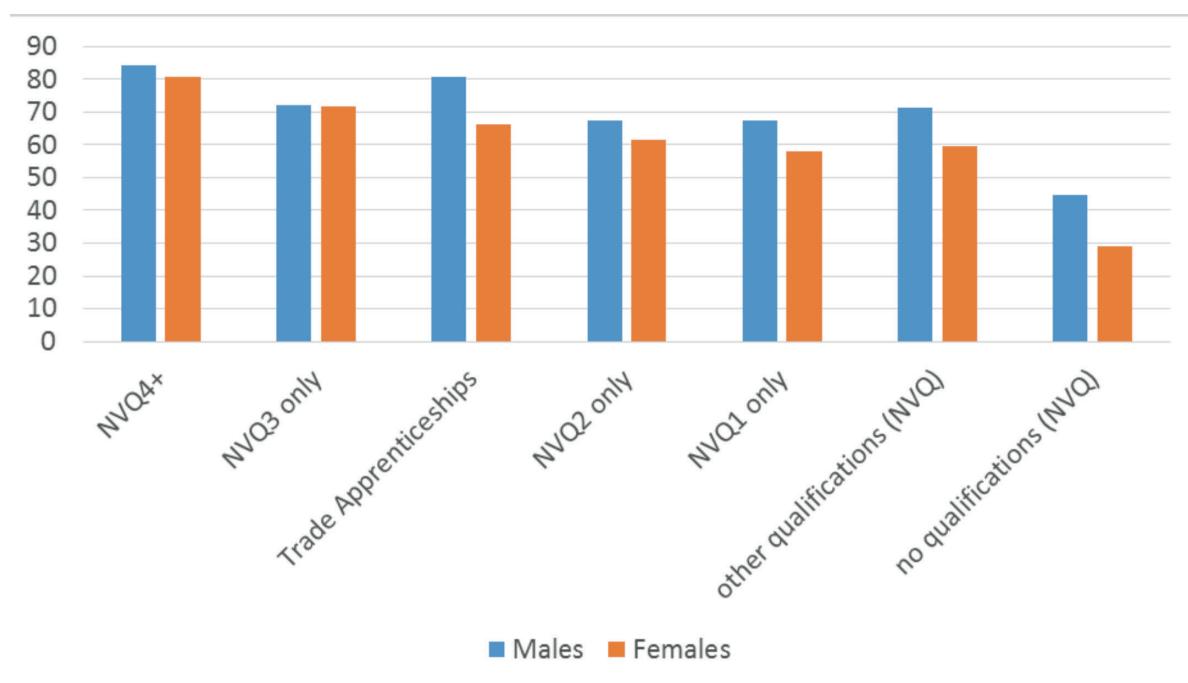
Source: Annual Population Survey

3.2.2 Trends by gender

Data from the Annual Population Survey on employment rates for males and females aged 16-64 in Wales by qualification shows that males with an Apprenticeship as their highest level of qualification are more likely to be employed compared with those with NVQ Level 1, Level 2 and Level 3 qualifications. Out of those males who have an Apprenticeship, 80.6% were in employment compared with 72.1% of males with NVQ Level 3 (see Figure 14 below).

The data also shows that females with an Apprenticeship as their highest level of qualification are more likely to be employed compared with those with NVQ Level 1 and Level 2 qualifications. Of those females who have an Apprenticeship, 66.4% were in employment compared with 61.7% of females with NVQ Level 2 qualification.

Figure 14. Percentage of those 16-64 in Wales who are in employment by highest level of qualification and gender (January to December 2013)



Source: Annual Population Survey

4. Economic and social value of apprenticeships

In this section, we consider the wider evidence relating to the economic and social value of apprenticeships to Wales. We begin by considering the evidence overall economic and social value of apprenticeships before considering the evidence on the benefits of apprenticeships to businesses. We draw on evidence from a review of the literature including evaluations and research undertaken by government departments and Sector Skills Councils.

4.1 Overall economic and social value of apprenticeships to Wales

An evaluation report of Work-based Learning in Wales, 2007-2011 (Welsh Government, 2014) illustrates the economic and social value of apprenticeships in Wales. In terms of the economic value of apprenticeships, the report provides an estimate of the value of apprentices to the Welsh economy:

- *Foundation Apprenticeship (Level 2) annually generates around £510 million value to the Welsh economy (based on latest participation levels).*
- *Apprenticeship (Level 3) annually generates a similar £500 million value¹¹.*

More recent figures from (DBIS, 2015) suggest that the return on investment for each pound of public money spent on apprenticeships is higher than the Net Present Value figures used in the above study. The new evidence from the DBIS study suggests a Net Present Value of £26 for a Level 2 Apprenticeship (60% higher than the previous NAO estimate), and £28 for a Level 3 Apprenticeship (30% higher than the previous NAO estimate) (see Table 2 below). This means that the overall economic impact generated by apprenticeships in Wales could be much higher than previously thought.

In terms of the social value of apprenticeships, the evaluation report of Work-based Learning in Wales, 2007-2011 (Welsh Government, 2014) report evidences ‘soft’ benefits of apprenticeships. It cites how 86% of apprentices who completed a survey in 2008 noted that the apprenticeship had increased their self-confidence and 70% said the apprenticeship was very relevant to their long-term career goals.

In addition to ‘soft’ benefits, apprenticeships benefit apprentices financially. The Evaluation of Work-based Learning in Wales report shows how apprenticeships raise the lifetime income of participants. It reports the following for England:

- *The value ('net present value') of Foundation Apprenticeship to individuals ranges between £48,000 and £74,000 in additional lifetime earnings.*
- *The value ('net present value') of Apprenticeship to individuals ranges between £77,000 and £117,000 in additional lifetime earnings.*

The report states that although there is no equivalent calculation for Wales, if it is assumed that the lifetime return on apprenticeship in Wales is similar to England, then Welsh apprentices will experience similar financial benefits from apprenticeships.

In recent years, the Welsh Government has sought to increase the range of apprenticeships on offer through dedicated projects targeting key sectors. Since April 2009 the Welsh Government’s Sector Priority Fund (SPFP) programme has supported the development and piloting of new apprenticeship schemes along with other approaches to meeting employer-led demand for skills. Under the programme only new apprenticeship frameworks or delivery approaches were eligible for support. A wide range of apprenticeship schemes have been developed across different sectors as a result of the SPFP Programme.

¹¹ This estimate of the value of apprentices to the Welsh economy was calculated by assuming a return of £16 to each pound of public money spent on a Level 2 Apprenticeship and £21 on a Level 3 Apprenticeship (National Audit Office, 2012). The estimate also assumed that expenditure on Level 2 Apprenticeships was £32-£36 million and Level 3 Apprenticeship was £24-£28 million (Welsh Government, 2014).

The 2012 SPFP evaluation report (Welsh Government, 2012) concluded that the most successful projects were three which focused on introducing new apprenticeship qualifications:

- *Creative & Cultural Skill Apprenticeships - Developing and delivering five new apprenticeship pathways in the creative and cultural sector, including mentoring support to employers in order to test demand and commercial viability;*
- *Developing Qualifications Delivery for the Built Environment -Developing a range of Level 2 and Level 3 apprenticeship frameworks across a range of pathways within facilities management;*
- *Creative and Digital Media Apprenticeships - Offering a work-based apprenticeship programme in Wales for the first time in the sector.*

The evaluation report outlines that, on the whole, participants and employers were generally very positive about the apprenticeships. The most recent round of SPFP projects is currently being evaluated, with a report expected to be published later in 2015.

The evaluation found that apprenticeships met a wide range of employers' identified business and skills needs. Apprentices also reported a wide range of benefits including self-confidence, enhancement of skills and increased employability.

4.2 Return on investment and value for money

At UK level, a range of studies seek to demonstrate the broader returns on investment from apprenticeships to individuals and the taxpayer. These studies conclude that estimating return on investment from apprenticeships and comparing this to other qualifications is challenging. However, overall the evidence on the value for money provided by apprenticeships is positive.

A recent Department for Business, Innovation and Skills (BIS) study examined the impact of the Further Education (FE) sector in England in terms of the Net Present Value (NPV) and return on investments generated by publically-funded FE qualifications (including apprenticeships)¹². The study found that Level 3 Apprenticeships delivered the highest value in terms of both NPV per qualification started and the return on government investment. Table 2 below shows the NPV of qualifications started in 2013/14.

Table 2. NPV of qualifications started in 2013/14 (gross of deadweight)

Course	NPV per aim started (£000)	NPV per pound of government spending (£)
Full level 2	66	21
Full level 3 – loans	67	21
Full level 3 – grant	68	16
English and Maths	14	17
Below level 2	7	10
Level 2 apprenticeship	61	26
Level 3 apprenticeship	88	28
Total	34	20

Source: DBIS (2015)

A 2014 study by Walter & Malhotra¹³ examined the available data on returns on investment from apprenticeships compared with HE courses. The study concluded that the net gain for the taxpayer for funding an apprenticeship is equal to 57 per cent of that for a graduate and the net gain from higher apprenticeships (estimated based on NVQ Level 4 and 5 data) was

¹² DBIS (2015), Measuring the Net Present Value of Further Education in England.

¹³ Walter, W. & Malhotra, S. (2014), Varsity Blues: Time for apprentices to graduate?

estimated to be higher at 65 per cent of a graduate. However, the return to apprenticeships per pound of expenditure compared significantly better: a £74 return for every £1 invested compared to a £57 return for every £1 invested for the average degree. The study concluded that the only degrees to generate a return in excess of an apprenticeship were ‘medicine’ and ‘engineering’.

The above report sought to use publically available information to calculate the return on investment to the taxpayer to graduate funding compared to apprenticeship funding. Based on the 2012/13 information available, the report authors considered the amount of funding allocated to higher education including direct funding to HEIs and funding (in the various forms) to individuals, and compared this to funding allocations to apprenticeships over the same period. Once this was established, the authors established the returns to the exchequer in the form of tax receipts and ‘opportunity costs’ over the lifetime earnings for each cohort.

The higher returns per pound above reflect the higher costs associated with HE courses compared with apprenticeships. This difference in costs can be illustrated by data from NTFW which shows that the typical cost of an apprenticeship framework ranges from around £4,000 to £16,000¹⁴. This compares favourably to an undergraduate degree which typically costs at least £27,000.

A 2013 study by the Centre for Economic and Business Research (CEBR) investigated the productivity gains associated with apprenticeships. The study found that apprenticeships were estimated to contribute a gross productivity gain of £2.4 billion to the UK economy. The study concluded that apprenticeships raised the productivity of a typical completer by £214 per week for the period 2012-13. At a sectoral level, apprenticeships were estimated to raise the productivity of a typical completer by:

- £83 per week in the retail sector
- £114 in the healthcare, public services and care sector
- £268 in the business, administration & legal sector
- £401 in the construction and planning sector; and
- £414 in the engineering and manufacturing sector

4.3 Value of apprentices to businesses

In this section, we provide an overview of the range of literature that highlights the benefits of apprenticeships to employers and businesses. These benefits include impacts on turnover, productivity, quality and the morale of workforce in general.

A report produced by Centre for Economics and Business Research (CEBR) in March 2015 outlines the benefits of apprenticeships to businesses. This report estimates that, while training, ‘apprentices have resulted in a positive net gain to employers of an average £1,670 per apprentice in England in 2013/14.’ It also states a number of long term benefits for both apprentices and businesses, amongst which was increases in productivity. Other benefits identified by employers included a more positive image for the sector, improved staff retention and improved staff morale.

A report for the Association of Accounting Technicians demonstrates the value of apprentices by evidencing the net gain for organisations of hiring an apprentice. The report notes that in 2012/13 the organisational net benefits from apprentices in Wales for that year was £9 and the average net benefit per apprentice was £210.

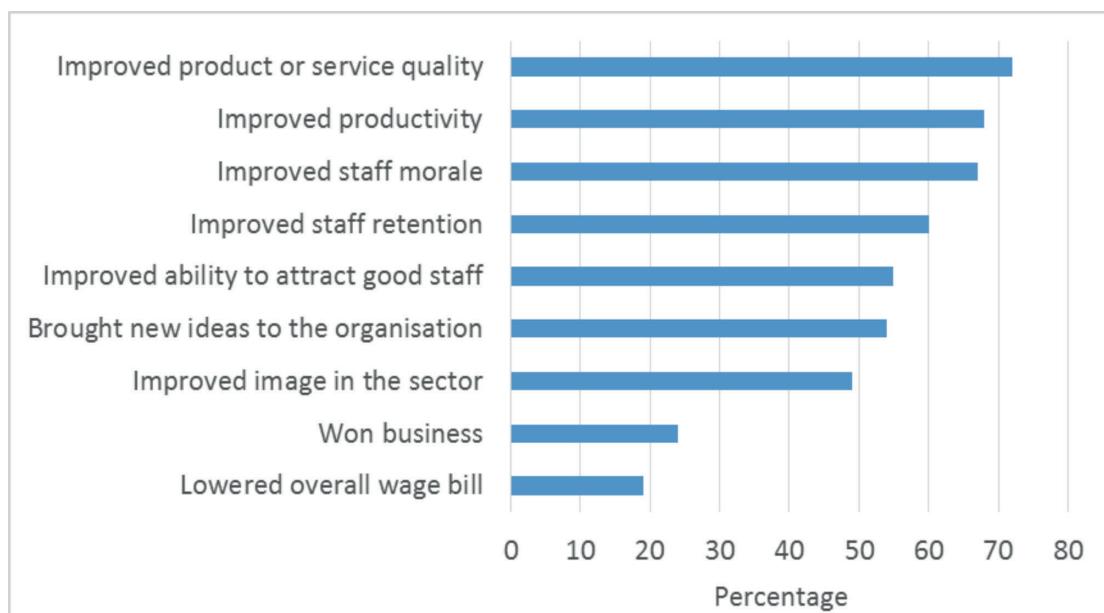
The report summarises the net gain for an employer as follows:

**Employer gain = apprentice output + apprentice subsidies – apprentice wages
– apprentice training costs**

¹⁴ CEU is ‘Credit Equivalent Unit’ – each ‘credit’ equates to 10 hours of learning (on and off the job). The more ‘credits’ the bigger the learning journey.

Data relating to the benefits achieved from hiring apprentices in England, presented in the report, show that the most commonly enjoyed benefits for hiring apprentices are improvements in product or service quality (72%), productivity (68%) and staff morale (87%). Figure 15 provides a summary of this data.

Figure 15: Benefits achieved from hiring apprentices

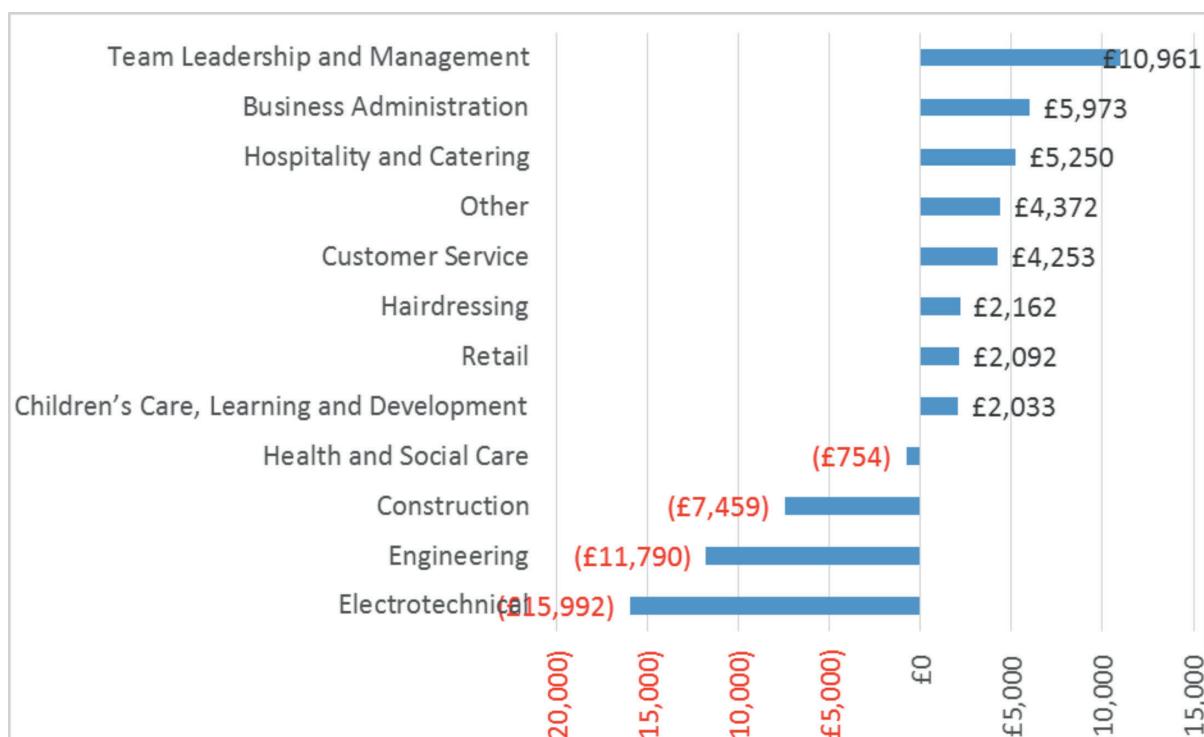


Source: Department for Business, Innovation and Skills. Data relate to England.

Data relating to the net benefit from hiring an apprentice in the UK (see Figure 16 below) shows that service sector apprenticeships had a positive net benefit to organisations. The net benefit was highest for team leadership and management apprentices, with a net benefit of £10,961.

Sectors such as construction, engineering and electrotechnical appeared to show a negative net gain to employers. This is due to the level of training required in these fields before an apprentice's productive capacity approaches that of a skills worker. However, once apprentices are trained, the benefits to employers in terms of apprentice outputs (e.g. increased productivity) will start to overtake the apprentice training costs incurred to employers.

Figure 16: Average annual organisational net benefit from hiring an apprentice in the UK, 2012/13



Source: CEBR analysis – data originally sourced from the ONS Annual Business Survey (ABS), wage data in the ONS Annual Survey and existing literature on the productive capacity of apprentices in terms of the extent to which they can replicate tasks undertaken by skilled workers.

For some frameworks such as engineering, electrotechnical, and construction the average net gain to the employer is negative in the short-run. This reflects the level of training required in these fields before an apprentice's productive capacity approaches that of a skilled worker. Net gains are realised in these sectors after an apprentice has qualified and is fully-skilled.

A report by Creative Skillset Cymru (2015) highlights the importance of the establishment of the first ever apprenticeship for the creative industries in Wales in 2011. The Level 3 Apprenticeship in Creative and Digital Media (Interactive Media Pathway) was piloted as part of the Sector Priority Fund Pilot (SPFP) and was developed in response to demand from employers within the sector.

In 2013 a further two programmes were established – Creative and Digital Media (Interactive Media Pathway) at Level 4 and Fashion and Textiles Apprenticeship at Level 2. Across these three apprenticeships, a total of 58 companies have recruited apprentices and a total of 91 apprentices have been trained. At least 80% of these apprentices have progressed into employment immediately after the end of their apprenticeship. The report noted a number of positive impacts that the apprenticeships had on employers and their businesses. Examples of these impacts are listed below:

- *Helping their business grow*
- *Increasing productivity*
- *Introducing new skills*
- *Increasing capacity*
- *Winning new work*
- *Increasing turnover*

A report for Skills for Health explores the factors underpinning health sector employers' demand for apprenticeships in Wales and determines barriers to increasing uptake. The report outlines that in 2011 take-up of apprenticeships on the health pathway of the health and social care framework represented around 0.2% of the health workforce in Wales compared with 0.08% in England. The report presents case studies based on Health Boards in Wales which outline some of the benefits of apprenticeships. These case studies demonstrate that apprenticeships help fill skill gaps. It is also noted that staff doing apprenticeships feel more valued and have more self-confidence.

A report by Improve Ltd (2013)¹⁵, the food and drink skills council, outlines how the Wales food and drink manufacturing and processing (FDMP) workforce is 'poorly qualified' in comparison with the rest of the UK. Nearly a fifth of the workforce has no qualification. Nearly half of FDMP employers provide no training. The report notes how research has found that on-the-job training is the most suitable form of training for the sector, therefore suggesting the importance of apprenticeships within the FDMP sector. According to the report, in 2010 there were 1,030 enrolments in work-based learning which included apprenticeship programmes. Of those undergoing an apprenticeship, 88% were food manufacturing apprentices.

¹⁵ Improve Ltd (2013), Skills Insights and Labour Market Facts about the Food & Drink Manufacturing and Processing industry in Wales 2013- 2014

5. Future demand and needs

It is clear from the information outlined above that apprenticeships have a significant economic and social value to Wales. In addition to the benefit to employers across the private, public and third sector apprenticeships also have a significant positive impact on the learners undertaking apprenticeships. The following section looks briefly at future demand and needs of the labour market, and highlights that apprenticeships will continue to play a vital role in addressing the demand for skills and qualifications.

Working Futures 2012-2022 (Wilson et al., 2014)¹⁶ provides projections for output and the demand and supply of skills between 2012 and 2022 and is the fifth in a series of decade-long projections of the UK's labour market. As with all projections and forecasts, the results presented in Working Futures should be regarded as indicative of likely trends and orders of magnitude given a continuation of past patterns of behaviour and performance, rather than precise forecasts of the future.

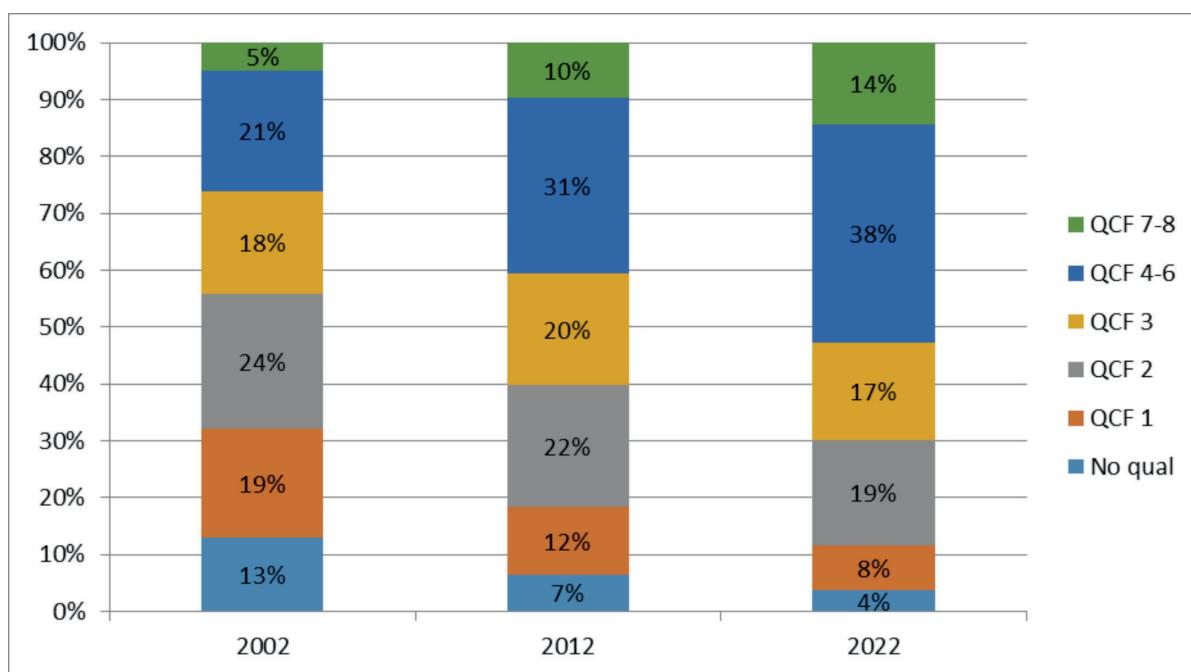
It is clear that there will be a growth in demand for higher-level skills and qualifications over the next decade or so of those in employment.

Between 2002 and 2022, the proportion of those in employment who are qualified at QCF level 4-6 is projected to have almost doubled from 21 per cent to 38 per cent. Similarly, the proportion qualified to levels 7-8 is projected to have almost trebled, from 5 per cent to 14 per cent. This means that by 2022 it is projected that over half of those in employment in Wales will hold qualifications at level 4 or above. This is in contrast to around a quarter in 2002.

The opposite effect can be seen for those holding no qualifications. Whilst 13 per cent of those in employment in Wales held no qualifications in 2002, this is projected to fall to just 4 per cent in 2022. Similarly the proportion of those in employment qualified to level 1 is projected to decline from 19 per cent to 8 per cent. A small decline is projected for the proportion in employment qualified to level 2, whilst there is relatively little change in the proportion qualified to level 3.

¹⁶ UK Commission for Employment and Skills (2014), Working Futures 2012-2022

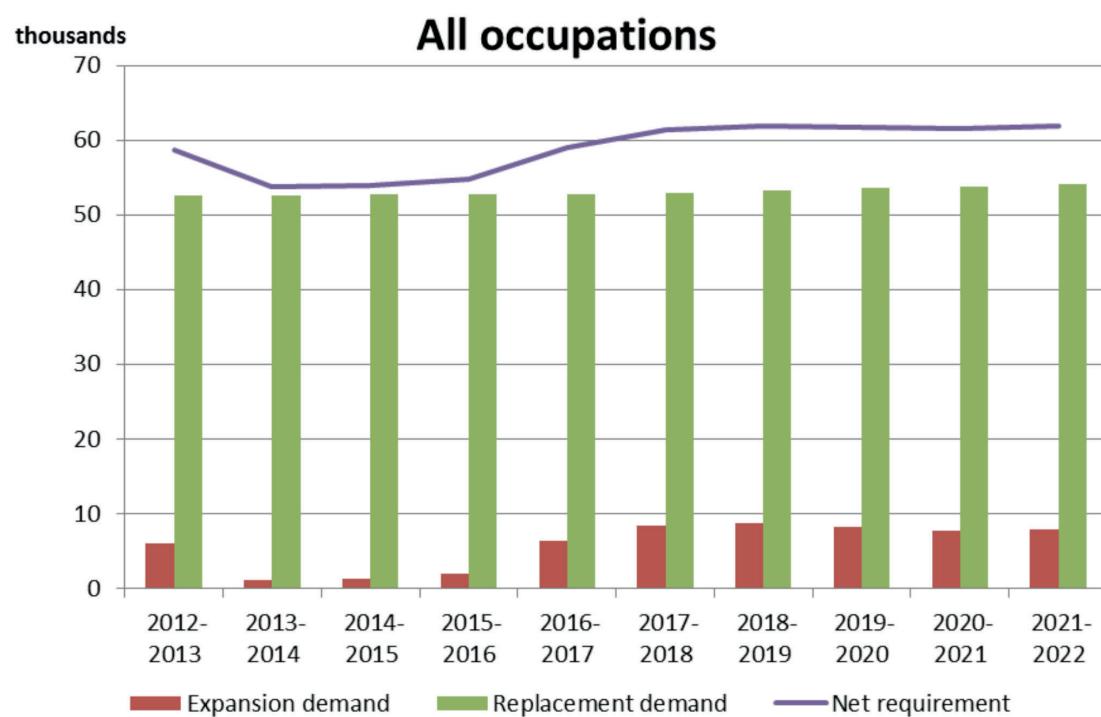
Figure 17: Projections of employment by qualification level 2002-2022



Working Futures projections suggest that employment in Wales is projected to grow by 0.4 per cent per annum between 2012 and 2022, which is the slowest rate out of the UK nations, where projected growth in Scotland and Northern Ireland is 0.5 per cent per annum and 0.6 per cent per annum in England. Across the UK as a whole, employment growth is projected to occur at 0.6 per cent per annum. Employment growth in Wales occurred at a faster rate in 2002-2012 than in Northern Ireland and Scotland.

An increase in employment from 1.36m to 1.42m is projected in Wales, resulting in around 57,000 more people being in employment in 2022 compared to 2012. In addition to the increase in the number of people in employment, there is also a need to replace workers who have left the labour market due to a variety of reasons. This is known as replacement demand. This replacement demand is far greater than the net change in employment (expansion demand) at 531,000, resulting in a net requirement of 588,000 between 2012 and 2022. This can be seen on an annual basis between 2012 and 2022 in Figure 18.

Figure 18: Projected annual expansion demand, replacement demand and the total (net) requirement in Wales, 2012-2022



6. Case studies

This section includes case studies from employers within the private and public sectors that have benefitted from apprenticeships in Wales.

6.1 Case study 1

Case Study: Little Inspirations

Little Inspirations have three day nurseries in Wales, which are based in Llantrisant, Rhydyfelin and Barry. It also runs a holiday scheme at Trehopcyn Primary School. Little Inspirations employs a total of 58 members of staff across all its sites. The managers actively recruit apprentices via Educ8 – a company offering training and employment opportunities based in the Heads of the Valleys – and currently have five apprentices across the three nurseries.

The apprentices employed by Little Inspirations are completing a Level 2 Foundation Apprenticeship. Nursery managers highlighted the benefits of retaining staff within the company and felt that the apprenticeship scheme can provide staff with a clear progression pathway within the company, demonstrating the economic impact of recruiting apprentices. Often when apprentices complete their apprenticeship at Little Inspirations they stay with the company. In many cases Level 2 apprentices go on to complete their Level 3 Apprenticeship and progress further within the nursery.

As well as staff retention, the nursery considers there to be several ways in which the company directly benefits from participating in an apprenticeship scheme. According to managers within the nursery, one of the main benefits to the company of recruiting apprentices is that it enables the company to train the apprentices up to the standard that the company requires:

“They are taught the way we want. So we know how they work.” (Nursery manager)

Nursery managers also noted that apprentices that successfully achieve the Level 3 Apprenticeship are then a fully qualified member of the team. This enables the company to include them within their calculation of staff to children ratios, thus demonstrating the capacity and capability of their workforce.

In terms of the benefits to the apprentices, the apprenticeship at Little Inspirations has provided apprentices with full time employment at the same time as offering them the opportunity to gain a qualification. According to the nursery manager, before undergoing the apprenticeship, many apprentices were struggling to find a job. The apprenticeship “gives somebody a chance” and as a result, the apprentices become a lot more confident once they undertake the apprenticeship.

Compared with other qualifications, the apprenticeship at Little Inspirations offers apprentices the opportunity to learn on the job in a working environment which enables them to gain valuable experience which they may not have gained through other qualifications.

6.2 Case study 2

Case Study: Ben Brunning (apprentice)

Ben is currently working at Get Wet – a company based in Bala, Gwynedd, which delivers outdoor adventure activities including a high ropes course, gorge walking, paintballing and white water rafting. In 2013-14, Ben completed an Outdoor Programmes Level 3 Apprenticeship. The apprenticeship was delivered by Grŵp Llandrillo Menai which was established in 2012 following the merger of Coleg Llandrillo, Coleg Menai and Coleg Meirion-Dwyfor. Grŵp Llandrillo Menai aims to support the economy of North Wales by equipping local people with the skills and qualifications needed for the success of the region.

Ben began the apprenticeship following a period of being employed with Get Wet through the Jobs Growth Wales scheme. He felt it was a “great way to keep working with Get Wet and have the chance of getting a qualification, to work while you learn.” Therefore undergoing the apprenticeship offered Ben the opportunity of further employment as well as the opportunity to learn in a working environment.

“It was great to have the job, it’s a really good work environment, and it was stress free as I knew I had a job to go to.”

Throughout the period of working at Get Wet, the apprenticeship has enabled Ben to progress, taking on further responsibilities and enhancing his career prospects. The apprenticeship contributed to him progressing to a position as Non-executive Director within the company. This also meant taking on some additional responsibility of “making sure activities run smoothly and also learning about the business”. Having completed his apprenticeship, Ben intends to stay with Get Wet which is currently growing and expanding the range of activities they offer.

6.3 Case study 3

Case Study: Tata Steel

Tata Steel is a global steel company operating in the UK, Europe, North America and Asia. Across Wales alone, Tata Steel employs approximately 7,000 members of staff, 156 apprentices and 21 higher apprentices and is due to recruit a further 90 apprentices in the summer of 2015. The apprentices are completing a Level 3 Apprenticeship across a number of trades including electrical engineering, mechanical engineering, fabrication & welding, technical (laboratory services) and manufacturing, whilst the higher apprentices in electrical engineering, mechanical engineering following a Level 4 Higher Apprenticeship Framework.

Tata Steel have a good completion rate for apprentices, with over 90% of apprentices completing their apprenticeship. Tata Steel also has a good retention rate for apprentices. The company reviews their apprentices’ progression on an annual basis and from this, the company reports that 5 years after completing their apprenticeship at Tata Steel, on average, between 75% and 80% of apprentices have remained with the company. Furthermore, 20% of apprentices progress within the company into engineer or management roles. Therefore Tata Steel see a return in their investment to training apprentices because, more often than not, apprentices stay with the

company and implement the skills they have learnt.

According to Huw Mathias, the Training Delivery Manager at Tata Steel, the company benefits from recruiting apprentices because it enables the company to develop their own workforce's skills in the most appropriate way for the business:

"It's better for us to grow our own talent" and apprentices are "learning directly the skills that we require of them."

The Training Delivery Manager noted that, compared with other qualifications, the apprenticeships at Tata Steel enable apprentices to gain knowledge and on the job experience at the same time, ensuring that they are trained to high calibre and are well equipped to apply what they have learnt.

"Apprentices are far better trained because they have the on-the-job training."

The company believes that training individuals to a high calibre through an apprenticeship not only benefits the company but it also benefits the industry because the skills apprentices gain are transferable to other jobs within the industry. These wider benefits of apprenticeships therefore help reduce skill shortages within the industry.

6.4 Case study 4

Case Study: Pendine Park

Pendine Park has six care homes across Wrexham and is due to open a seventh in Caernarfon in September 2015. The company has 650 members of staff and offers various types of care, ranging from residential care to dementia care to neurological care, it also offers care in the community.

Pendine Park has a Teaching Care Centre which delivers training to its staff, including delivering apprenticeship programmes in health and social care at levels 2, 3 and 5. The company currently has 140 members of staff undergoing an apprenticeship programme.

The company has a high apprenticeship completion rate of 82%. The Centre Manager explained that "when people take on an apprenticeship, they want to do it." Apprentices are therefore motivated to complete the apprenticeship and to progress their career within the company. Following the apprenticeship, through ongoing training and development, apprentices are provided with the opportunity to progress within the company right through to a senior management role. Thus the apprentices benefit from good progression pathways, while the company benefits from a high retention rate of staff. This demonstrates the return of investment in training that Pendine Park receives from delivering apprenticeship programmes to its staff.

In addition to the benefits of staff retention and good career progression pathways, the Centre Manager considers there to be a number of other benefits of apprenticeships to the company and the apprentice. One of the main benefits to the company was that apprenticeships enable the company to secure a highly skilled workforce. At the same time, staff morale is high because the apprenticeship empowers staff to feel confident in doing their job because they know they have the correct skills.

"It's about having happy staff because they know they have got the skills to do their job. They feel more confident to challenge bad practice because they have had the training."

As well as increasing apprentices' skills and boosting their confidence, the apprenticeship enables them to gain a recognised qualification. The Centre Manager commented that the qualification is highly valued by the apprentices because many would have left school with very few qualifications and so the qualification they achieve through the apprenticeships "gives them a sense of pride."

6.5 Case study 5

Case Study: Muller

Muller is a privately owned engineering group which has five sites – three in the west midlands, one in India and one in Llandovery in south west Wales. The company provides small components across a wide range of industries including automotive, defence, hydraulics, gas, medical, electrical and dental. At the south Wales site there are 10 members of staff, one of which is an apprentice. This apprentice is undergoing a Level 3 Apprenticeship in Mechanical Engineering.

The company's site in Wales is based in a rural area of Carmarthenshire where there are fewer employment opportunities available, particularly for young people. The apprenticeship that Muller offers has given the apprentice an opportunity for a career, to develop technical skills and to receive a qualification. Muller's south Wales division Managing Director noted that:

"It [the apprenticeship] gives them a fair good grounding of the basics to take into a company."

Since joining Muller, the apprentice has progressed within the company from a complete novice to an operator on the factory floor. The company considers that the apprenticeship programme provides participants with a good progression route. The Managing Director outlined that the career opportunity provided by the programme has helped raise the apprentices' self-esteem and the company believes that the apprentice could progress to a management role in future. This demonstrates the economic impact of the apprenticeship programme at Muller.

As well as benefiting the apprentice, through providing a career opportunity and raising their self-esteem, the company also enjoys a number of benefits from recruiting their apprentices. The Managing Director of the south Wales division outlined that the apprenticeship programme enables the company to "grow our own". The company believe that the programme allows them to create long term solutions to address skills shortages and enables them to secure the future of the company's skills base.

6.6 Case study 6

Case Study: Corgi Hosiery

Corgi Hosiery is a family business based in west Wales designing and producing hand-knitted wool, cotton and cashmere socks and knitwear. The business currently has 64 employees, the majority of whom are employed full time. The company has expanded over the last few years, almost doubling in staff. The employer participated in the Level 2 Fashion and Textiles Apprenticeship Pilot (L2 FTAP). The main reasons for participating were to address skills gaps in the workforce and to overcome previously experienced recruitment difficulties. The employer also noted that they have an older workforce and wanted to bring in some young people for the longer-term future of the company.

The employer has recruited two apprentices to undergo the L2 FTAP. Both apprentices were very inexperienced when they joined the business and needed a lot of initial support, not just with their technical skills for their machinist roles, but with their literacy and numeracy too. Neither of the apprentices had any previous knowledge of the specialised nature of the industry and they were initially trained to use the machinery and to undertake tasks like loading yarn, setting the style, and changing needles. The employer noted that the machinery is complicated but that, through training and the support of other employees, the apprentices had quickly developed their skills.

The employer reported that the apprentices have developed wider employability and life skills through their participation in the L2 FTAP. For example, the apprentices have learned to come in to work on time on a consistent basis and understand what is required from them as employees. He noted that the apprenticeship has given them a broader insight of the fashion and textiles industry and the progression that is possible. The engineering skills that the apprentices have developed have given them a base of skills that are transferable in the industry or in other related sectors.

‘They are far more employable now - they have made amazing progress in a year. They’re good at running the machines now and they’re doing additional training on maintenance of the machines.’

The employer reported that the company has benefited from getting some young people into the company. This has provided a ‘healthier mix’ of employees as well as starting the process of addressing previously outlined issues relating to an ageing workforce. The employer noted that turnover is up by 10% and he considered that this is partly due to employing the apprentices. Both have become ‘really competent’ sock machinists and have contributed to the increased capacity within the business. The apprentices have both been kept on in their roles and have been promoted to team leaders, giving them additional roles and responsibilities. Therefore Corgi Hosiery have seen a return of investment in training the apprentices.

‘Both apprentices have done really well - that’s why we invested in them through the apprenticeship, to keep them on at the end. It makes it all worthwhile - the investment you put into them - when they progress like this.’

6.7 Case study 7

Case Study: Portal Training

Portal Training provides training and delivers qualifications for teachers, head teachers and other staff working in educational establishments. They currently work with over 400 schools across Wales, and operate bilingually.

Portal Training have adopted the ILM (Institute of Leadership and Management) Level 4 and 5 Diploma within the higher-level apprenticeship framework in Principles of Leadership and Management for those currently members of senior leadership teams to those who are aspiring towards middle level leadership roles. Portal are delivering the higher apprenticeship as a subcontractor to ACT and Cambrian Training, and have over 300 teachers on roll across Wales.

The learners who have undergone the programme have a range of different management roles within schools – ranging from heads of departments and heads of year at secondary schools to members of management teams in primary and special schools.

Many of the learners have already benefitted from the qualification and have gained promotion:

“The ILM course in leadership and management has made a huge difference to my professional practice. It has developed my leadership and management knowledge and skills and given me the confidence to take on a greater leadership role within my organisation. I would recommend the ILM course to anyone who is thinking of making the next step into management.”

Jayne Jones - Senior Teacher, St Joseph's Primary School, Tredegar

“This course has been so useful in so many areas. Not only has it helped me reflect and improve upon my practice as a manager within school but has also prepared me for my new role as a project manager.”

Victoria Obermaier - Assistant Headteacher, Mounton House School

“The staff group at Llanwern High School who will shortly complete the Portal ILM programme have been professionally challenged by an interesting range of sessions and providers and consequently they have all made progress in their respective areas of school leadership.”

Robert King - Deputy Headteacher, Llanwern High School

“I took the opportunity to study Portal’s Management and Leadership course to further develop as a leader. I feel that the course has helped me develop from being a manager to be a leader.”

Helen Evans, Pennaeth yr Adran Gymraeg, Ysgol Bro Myrddin

6.8 Case study 8

Case Study: Spirit Hair

Spirit Hair is a hair salon based in Ystrad Mynach and employs a total of 18 members of staff. 98% of the staff are either working towards or have gained a vocational qualification. Qualifications include Levels 2 and 3 in Hairdressing, Levels 2 and 3 in Barbering, Levels 2 and 3 in Customer Service, Team Leader Level 2 and Management Level 3.

Over the last 2 years, Spirit Hairs' apprentices have played a key role in the business, generating significant economic impacts. An analysis of the salon's records has shown that apprentices have introduced 815 new clients and contributed £278,561 in additional turnover to the business over the last 2 years, whilst Foundation Apprentices alone have contributed £129,594 in additional turnover and introduced a total of 586 new clients. The salon owner and manager estimates that this will lead to a further economic impact of £140,000 through repeat business with these clients generating additional turnover.

The salon owner and manager emphasised the importance of apprenticeships to the business: "Without vocational qualifications we wouldn't have a business.... .It is imperative to our business that we continue with vocational qualifications to support plans to specialise and expand into different areas."

As well as the financial impact of the apprenticeship scheme, Spirit Hair emphasised the impact of the training on workforce skills and career progression. The apprenticeship scheme was considered to have developed staff skills and provided a wealth of other opportunities. For example, apprentices at Spirit Hair have been offered the opportunity to enter a number of competitions and gain experience working in hair salons in Europe. The salon owner and manager noted that their staff would not have had these learning opportunities without taking part in the apprenticeship.

"In what other mode of learning would you get these opportunities? These together with the vocational qualifications achieved produce a workforce that is extremely employable with a wealth of transferable skills."

The apprenticeship has also had an impact on progression pathways for staff at Spirit Hair. Over the last two years, the apprenticeship scheme has helped Spirit Hair has develop a structure to encourage workforce progression to ensure that all staff have the same opportunities to move up the ranks. Apprenticeships have been central to this structure and the company feels that this has been key to the future development of the business.

"Our business will only thrive in the future if we keep adding value to the business through vocational training which we will continue to invest in."



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