

# Defusing the skills time bomb

Boosting apprenticeship training  
through construction SMEs

# Foreword

The construction industry is in the midst of an ever-worsening skills crisis. If we don't attract more new entrants into the construction sector, we will not be able to sustain the increase in construction growth that we have seen over the past two years. As our industry is a key driver of economic growth, it is no exaggeration to say that the health of the wider economy hangs on the construction sector being able to defuse this skills time bomb. Without more construction apprentices, we won't be able to deliver the new and refurbished homes, schools, hospitals, energy and transport infrastructure which our society so desperately needs.

According to the Construction Industry Training Board (CITB), as the UK construction sector continues to recover from the recent economic downturn, 220,000 new roles will be created over the coming five years. Furthermore, the construction industry has an aging workforce with 400,000 individuals expected to retire in the next five to ten years.

The Federation of Master Builders (FMB) believes that the industry must take a leading role in addressing the current and expected future shortfall in skilled workers. One of the most effective ways of doing this will be to increase the number of construction apprenticeships. Small construction firms train two-thirds of all construction apprentices and therefore it is vital that we understand how we can encourage more of these firms to train apprentices and remove any perceived or actual barriers that might be standing in their way.

Fortunately, the Government also recognises the importance of boosting apprenticeship training and has set a target of creating three million new apprenticeships across all business sectors over the lifetime of this Parliament.

This report examines the barriers to small construction firms training apprentices and makes a number of recommendations to the Government, CITB and the FMB itself regarding how we can remove these barriers. We hope that Ministers and CITB colleagues find our recommendations useful and can commit to working in partnership with the FMB to solve the skills crisis once and for all.



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Chief Executive



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National President

November 2015

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# Recommendations

## Recommendations for the Government:

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1. Drive up apprenticeship training through public sector construction contracts by requiring that a proportionate level of apprenticeship training is undertaken as part of the contract, depending on its value. Importantly, ensure these commitments are actually delivered by requiring construction firms to evidence the training which has been undertaken at the end of the contract.
2. Improve the funding arrangements for older apprentices, for instance through a more staggered reduction in funding for different age groups and a more defined contribution for apprentices aged 24 and over.
3. Ensure the proposed Apprenticeship Levy is integrated effectively with the existing construction industry levy. Specifically:
  - Ensure the Apprenticeship Levy contributions of those large employers in-scope to CITB are channelled back to CITB and ring-fenced specifically for the delivery of apprenticeships;
  - Require large employers to continue to pay the remainder of their CITB levy contributions (i.e. what remains once the Apprenticeships Levy has been paid) so a payment of 1.5% on total labour only sub-contractor payments, assuming the Apprenticeship Levy is 0.5% of PAYE); and
  - All other employers in-scope to CITB and above the CITB threshold should continue to pay the CITB levy without any change.
4. Channel more funding through the Skills Funding Agency to colleges delivering construction courses for the specific purpose of updating equipment and resources to ensure training delivery reflects the modern industry.
5. Introduce/fund an annual national satisfaction survey specifically for construction employers to gauge views on, and feedback about, working with publicly-funded colleges for apprenticeship delivery. The objective would be to stimulate better relationships, promote competition, drive up standards and identify strengths, weaknesses and trends over time. Results could be published at regional, county or even college level and support apprentices in deciding where to study.
6. Ensure the new digital apprenticeship vouchers, which are being introduced from 2017, are simple and easy to use. Road test the process for using the vouchers with construction SMEs, prior to full launch, to make sure it meets their needs.
7. Provide clear, simple information upfront to businesses to explain what is being changed once the new digital apprenticeship vouchers are rolled out, what employers' responsibilities are (in a practical sense) and the benefits.

8. Develop a mutual guarantee arrangement to encourage recruitment of construction apprentices, particularly among the smallest firms which might otherwise not do so. This arrangement would need to be fair, transparent, realistic, enforceable, and flexible enough to take account of any special or extenuating circumstances.

## Recommendations for the Government and the Construction Industry Training Board (CITB):

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9. Increase investment in education and marketing aimed at schools, careers professionals and the general public, focusing on job roles and career opportunities for all in the 21st century construction industry.
10. Do more to raise awareness and promote the features and benefits of the Shared Apprenticeship Scheme to construction SMEs, including how they can get involved.



## Recommendations for CITB:

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11. Develop simple, step by step information and guidance for construction SMEs to take the fear out of hiring apprentices and to help them cut through perceptions of an overly complex and bureaucratic process. Create an apprenticeship toolkit folder for SME employers (possibly as a download) to include steps SMEs need to take:
  - If they want to recruit an apprentice, the costs they need to be aware of and plan for, and the benefits, as well as a clear and comprehensive overview (ideally a visual presentation) of funding arrangements and entitlements;
  - On how to train an apprentice, as well as guidance to support SMEs in managing apprentices.
12. Subject to any changes resulting from the implementation of the proposed new Apprenticeship Levy, consider increasing the allocation of funding for apprenticeships so that a higher proportion is available in the first year to offset employer costs/lack of immediate return on investment.
13. Direct more funding towards a programme of 'training the trainers' to ensure that tutors delivering construction courses know how to update and keep abreast of industry developments, for example as part of Continuous Professional Development (CPD).
14. Promote and/or incentivise more flexible training delivery where possible, for example during evenings and weekends.

## Recommendations for CITB and the Federation of Master Builders (FMB):

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15. Work in partnership to promote an 'ambassador' style scheme where employers and current or immediate past apprentices engage with schools to explain the benefits of apprenticeships and promote careers in construction.
16. Work in partnership to produce short video case studies aimed at those employers who are not training apprentices – these videos should show experienced SME employers talking about apprenticeship training from their own perspective to bring good practice to life and build confidence.

## Recommendations for the FMB:

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17. Help members to find out more about apprenticeships by signposting them to reliable sources of online and telephone-based information, advice and guidance.



# 1. Introduction

## The construction skills crisis

The construction industry is suffering from a chronic shortage of skilled workers. Unless industry and Government work in partnership to address the shortfall of skilled labour, construction sector growth will be compromised. The industry has enjoyed consistent growth over the past two years as it tentatively recovers from the deepest and most protracted economic downturn in living memory. However, this growth in construction output brings with it fresh challenges – namely the need to attract enough new entrants to meet the growing demand for new and refurbished homes, road, rail and energy projects.

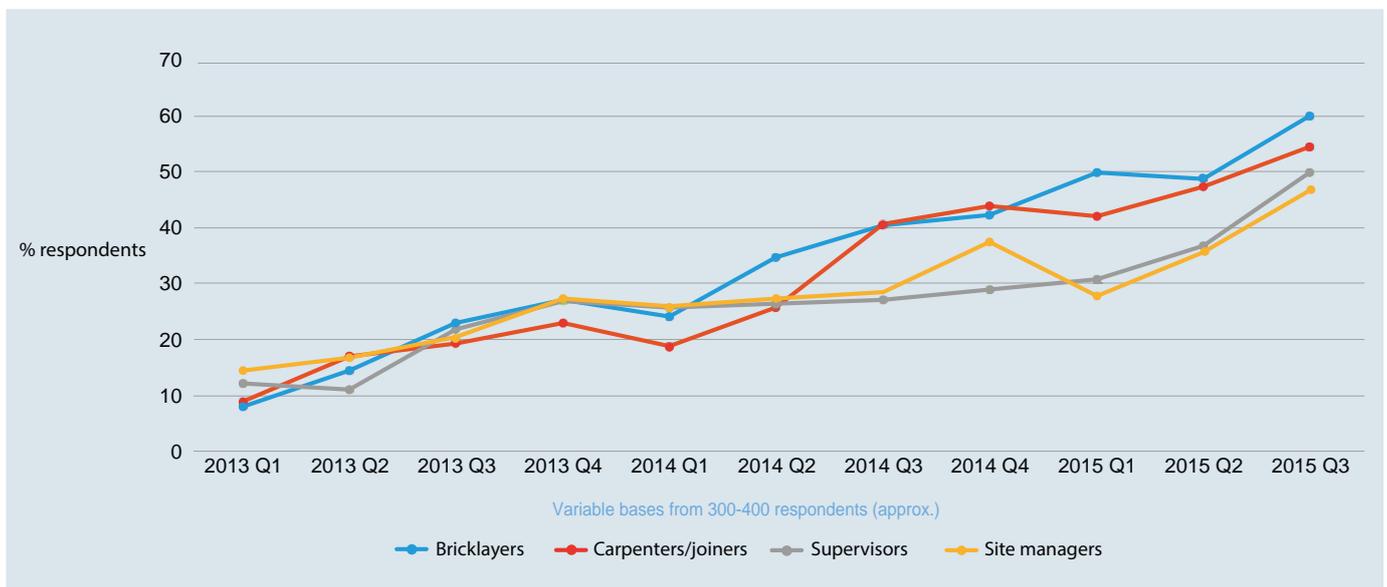
The Construction Industry Training Board (CITB) estimates that 400,000 workers left the industry during the economic downturn – they also predict that 220,000 new jobs will be created within the construction sector as our industry continues to grow and recover. These figures are a real cause for concern, especially given the construction sector’s aging workforce – CITB forecasts that as many as 400,000 additional workers could retire within the next five to ten years.

However, the skills crisis is not a medium to long term problem – it is already starting to bite. According to the FMB’s latest State of Trade Survey for Q3 2015, 60% of small construction firms are currently struggling to hire bricklayers and 54% are struggling to hire carpenters and joiners.

Firms are finding it increasingly difficult to recruit at various levels, including craft, supervisory and site management roles. This trend is shown in Figure 1 for those job roles where more than 40% of survey respondents reported difficulties in Q3 2015.



Figure 1 FMB members reporting recruitment difficulties (2013-2015)



Source: FMB State of Trade Surveys 2013-2015

So what is the solution? Although there is no single solution to the construction skills crisis, we do need a dramatic increase in the number of construction apprenticeships. The good news is that Government and industry are in agreement on this point. More broadly the Government has set itself a target to create three million new apprenticeships by 2020 across all business sectors, including construction.

The Government's aim for apprenticeships is to increase productivity and growth in the economy by raising the overall level of skills and ensuring these match the needs of employers. In June 2015 the Government announced plans to:

- Create three million new apprenticeships by 2020;
- Give apprenticeships the same legal treatment as degrees; and
- Set targets for public sector bodies to help reach the target of three million starts<sup>1</sup>.

## The vital role of construction SMEs

The Federation of Master Builders (FMB) is firm in its belief that the construction industry itself must take a leading role in boosting the number of construction apprenticeships. Although the Government has a key role to play in terms of setting the framework for apprenticeship funding and apprenticeship standards, ultimately, it is up to the industry to ensure it has the skilled labour to meet current and future demand.

Small and medium-sized (SME) construction firms have a vital role to play in nurturing fresh talent in construction. There is a proud history of apprenticeship training among small construction firms – indeed, two thirds of all construction apprentices are trained by SME firms. However, SMEs face challenges that are unique to small firms – these challenges cut across all business activities, including apprenticeship training.

## Barriers to construction SMEs training apprentices

If construction SMEs train the bulk of apprentices, it is vital that we address any barriers they may face – whether these barriers are perceived or actual. We must understand how best to encourage those small firms which are not currently training to start training apprentices, and those which are training apprentices, to train more where possible.

During August 2015, the FMB carried out an online survey among its members in England to identify the main barriers to recruiting apprentices and to help develop recommendations to the Government, CITB and the FMB itself, about how those barriers should be overcome.

The FMB commissioned Pye Tait Consulting to help with the analysis of these findings, supported by additional interviews and focus groups. This report presents the findings of this research.

### Note about the charts in this report

The term 'experienced employers' refers to surveyed FMB members who have experience of recruiting apprentices (62% of respondents). The term 'non-experienced/interested employers' refers to FMB members who have not previously recruited apprentices but are open to the possibility of doing so (32% of respondents). The remaining respondents have not trained an apprentice and stated that they have no interest in doing so (6%).



<sup>1</sup> Source: Gov.UK



## 2. Value of apprenticeships

### Reasons for hiring apprentices

Surveyed FMB members with experience of hiring apprentices report a wide range of motivations for doing so.

#### Experienced apprentice recruiters – top five motivations for recruiting apprentices:

1. We value the ability to train apprentices to our standards and needs (52%);
2. It is our duty to train apprentices and provide opportunities for young people (46%);
3. The industry is responsible for dealing with the construction skills crisis and apprenticeships are one way of addressing this (37%);
4. Our firm has a proud history of training apprentices (31%); and
5. We recruit apprentices to help our business expand (30%).

Surveyed members that do not have experience of hiring apprentices, but are open to the possibility, also described what they believe to be the main motivations for doing so.

#### Non-apprentice recruiters – top five assumed motivations for recruiting apprentices:

1. The industry is responsible for dealing with the construction skills crisis and apprenticeships are one way of addressing this;
2. It is the employers' duty to train apprentices and provide opportunities for young people;
3. The workload of the business has increased;
4. Valuing the ability to train apprentices to standards and needs;
5. Apprentices improve the culture and atmosphere of the working environment

The full results are shown in Figure 2 (page 10).

### Qualities of apprentices

The qualities that FMB members value most in apprenticeship candidates mainly relate to attitude and motivation. They want apprentices who are willing to learn and show an aptitude for doing so. They also need apprentices who take the work seriously and are professional, honest, reliable, punctual, presentable and with good manners.

Despite having a clear idea of the qualities they are looking for, construction SMEs say they experience difficulties finding apprentices of the right calibre – this is discussed in more detail in section 3.

*“Apprentices joining us need to be enthusiastic. We recognise they won’t all have the necessary skills but we want to see effort. We encourage our clients to visit the workshop so the presentation and demeanour of our apprentices is really important.”*

*Employer (apprentice recruiter)*

*“We work with three-dimensional pieces of wood and the tolerances are a millimetre or less – we therefore place strong importance on maths skills.”*

*Employer (apprentice recruiter)*

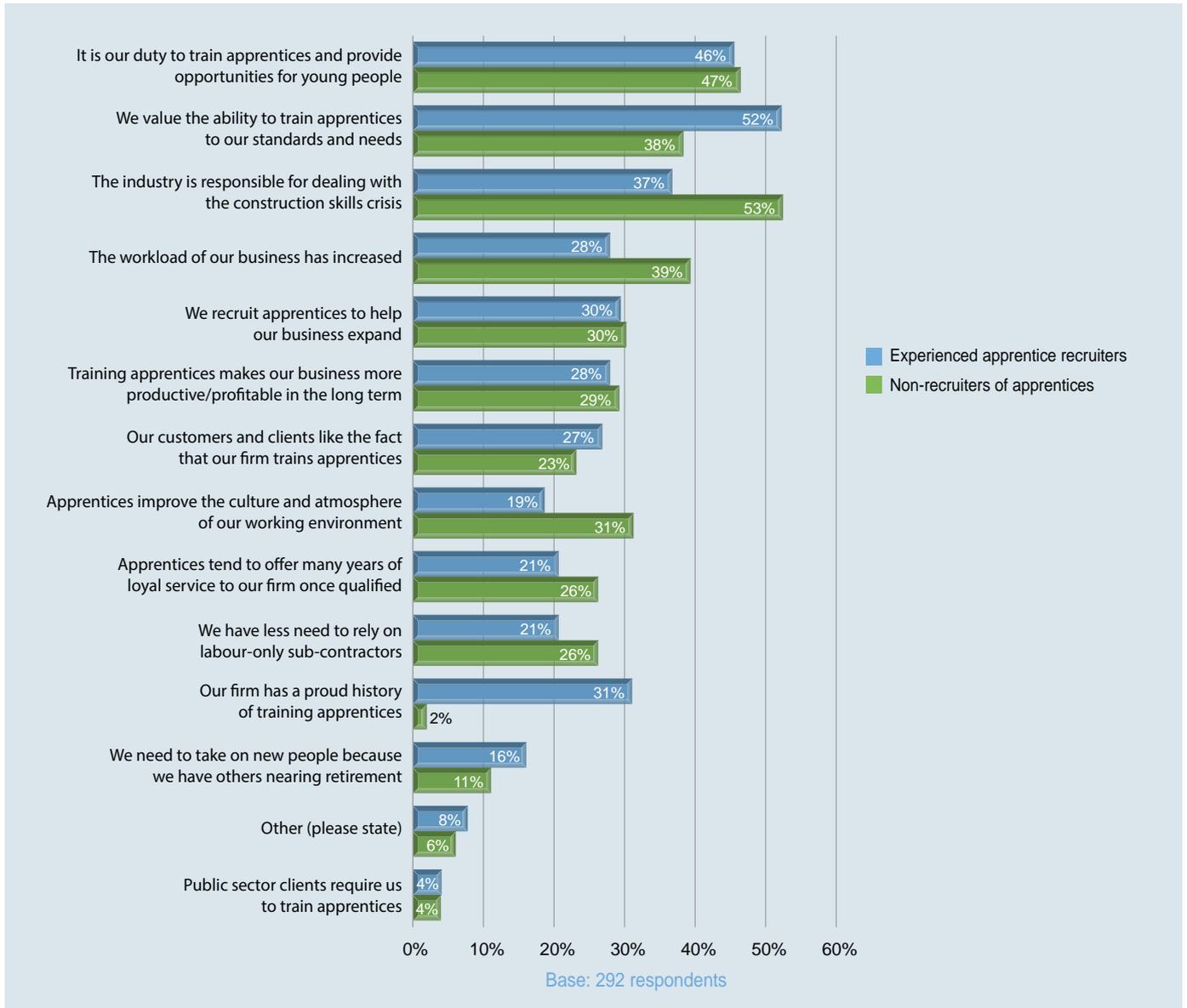
### Boosting apprenticeships through public procurement

The Government is the biggest single client of the construction industry with public sector construction contracts being worth up to £30bn per year – the equivalent of 30% of total construction output. As such, the Government has an ability, and arguably a duty, to drive behavioural change in construction through its public procurement processes. This can refer to anything from encouraging prompt payment through the supply chain, to ensuring construction companies are training adequate numbers of apprentices<sup>2</sup>.

The Government is committed to driving apprenticeship training through the public sector but there is a need to ensure this is effective. Although most public sector construction contracts stipulate that the firm must carry out a certain amount of apprenticeship training, it is unclear how this is being policed. For example, a construction company may agree to train five apprentices as part of a £5 million contract with a local authority but what, if any, processes are in place to ensure this training has taken place? If commitments are not being monitored, it is not possible to know if requirements in public sector contracts are proving to be an effective tool for increasing apprenticeship training among construction firms.

<sup>2</sup> The Local Government Association (LGA) has confirmed that local authorities can and will do more to support the government's new apprenticeships target through their roles as employers, commissioners and procurers, and by encouraging supply chains and contracted services to do the same. Source: Local Government Association (2015) Spending smarter: a shared commitment.

Figure 2 Motivations for taking on apprentices<sup>3</sup>



**RECOMMENDATION:**

**For the Government:**

Drive up apprenticeship training through public sector construction contracts by requiring a proportionate level of apprenticeship training is undertaken as part of the contract, depending on its value. Importantly, ensure these commitments are actually delivered by requiring construction firms to evidence the training which has been undertaken at the end of the contract.

<sup>3</sup> The list of motivations shown in Figure 1 is ordered from the largest to smallest proportion of respondents mentioning each one in their response to the online survey.

# 3. The fear factor

## Barriers to hiring apprentices

Surveyed FMB members were asked to rate various possible barriers to training apprentices out of 10, with 1 being no barrier at all and 10 being a major barrier.

The top five barriers are summarised below, including the average ratings out of 10.

### Experienced apprentice recruiters

Top five barriers to recruiting apprentices (including the average barrier rating):

1. Quality of candidates (6.8);
2. Complexity and bureaucracy of the process (6.1);
3. Concerns over the ability to retain apprentices once trained (6.1);
4. Uncertainty over future workloads (6.0); and
5. Cost of employing and training an apprentice (6.0).

Among non-experienced recruiters of apprentices, different issues feature more prominently.

### Non-apprentice recruiters:

Top five barriers to recruiting apprentices (including the average barrier rating):

1. Complexity and bureaucracy of the process (7.4);
2. Cost of employing and training an apprentice (7.3);
3. Uncertainty of future workloads (7.1);
4. Concerns over the ability to retain apprentices once trained (7.0); and
5. Quality of candidates (7.0).

The full results are shown in Figures 3 and 4.

Figure 3 Barriers to taking on apprentices (1)

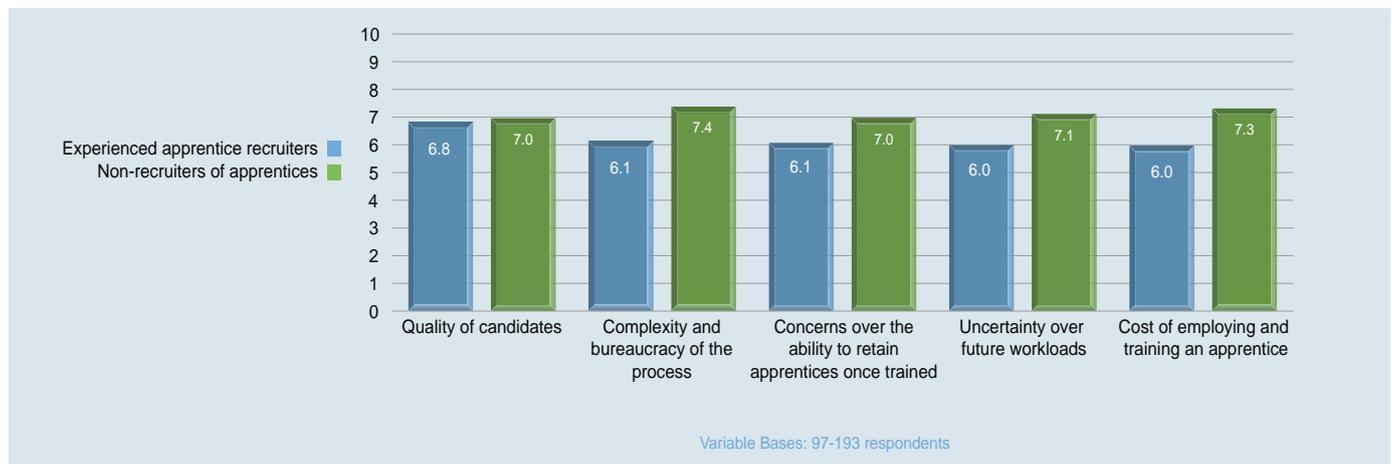
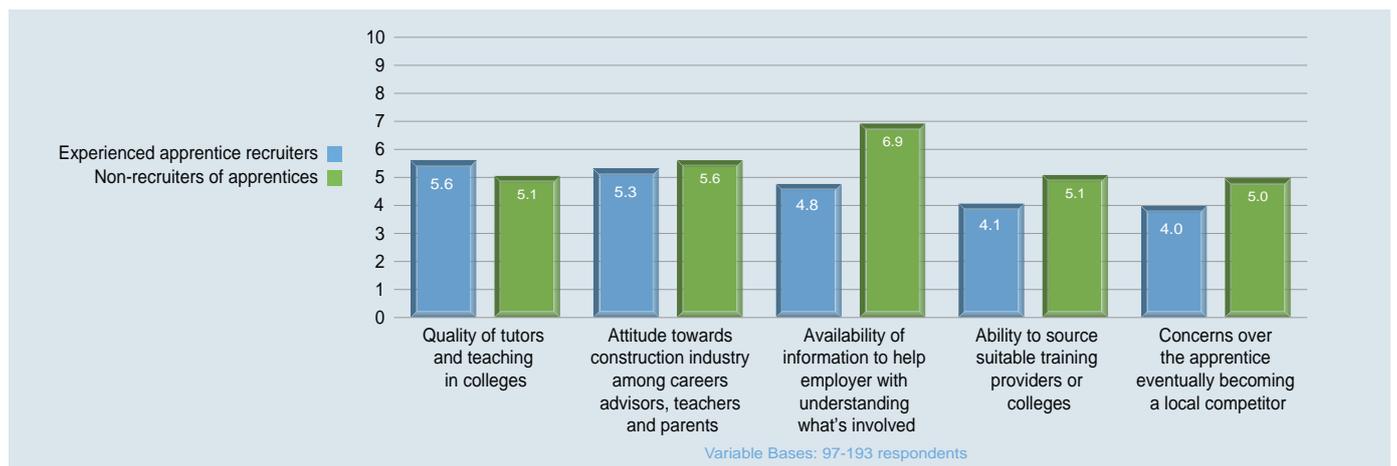


Figure 4 Barriers to taking on apprentices (2)



## Attracting the right candidates

A general perception among FMB members is that schools are mainly driven by how many students they can progress on to A-levels and university, meaning that some talented individuals could be put off a career in construction on the basis that there are “better options open to them”.

SMEs are concerned that schools don't have up-to-date knowledge and insights into the range of professional, technical and craft-based job roles in construction that are open to males and females alike. In addition, the image of the construction sector still seems to suffer from a legacy of stereotyping and bad publicity (for example ‘rogue traders’) meaning that parents, teachers and other careers professionals are inclined to point young people towards alternative careers.

*“When my grandson left school to come to work for us, his teachers said “is that all you want from your life?” Actually, it is an ideal career for those who want to work hard and make something of themselves.”*

*Employer (non-recruiter of apprentices)*

*“College and exam standards seem to have gone down and everything tends to focus on health and safety. While that's important, an insufficient range of skills are being covered.”*

*Employer (apprentice recruiter)*

One employer involved in the research described how they are developing a mutually beneficial relationship with schools:

*“We've had several meetings with schools this year. We're looking to set up summer camps to get the students involved in activities like designing a house. We hope to get a range of industry professionals involved such as an architect, an engineer and a builder.”*

*Employer (apprentice recruiter)*

## RECOMMENDATIONS:

### For the Government and CITB:

- Increase investment in education and marketing aimed at schools, careers professionals and the general public, focusing on job roles and career opportunities for all in the 21st century construction industry.

### For CITB and the FMB:

- Work in partnership to promote an ‘ambassador’ style scheme where employers and current or immediate past apprentices engage with schools to explain the benefits of apprenticeships and promote careers in construction.

## Complexity, cost and time demands

Surveyed non-recruiters of apprentices are fearful of the complexity of the process. They are also concerned about the amount of investment they might need to make (cost and time), the likelihood of lost productivity, and in some cases travel expenses for apprentices to attend college.

There is a perception among some smaller SMEs that larger organisations, for example the major house builders, are the ones best resourced to organise apprentices and deal with “the complex funding applications”. Also, criticism has been levelled at the larger firms in that they appear to not go far enough in hiring apprentices and treat the programme as a “PR” and “tick the Government's box” exercise. Sub-contractors in particular have raised concerns that they are left feeling like a training ground for the benefit of the larger firms.

*“Larger firms use sub-contractors, therefore the large firms don't train as many apprentices. This is one of the main reasons our industry isn't training enough apprentices.”*

*Employer (apprentice recruiter)*

Some non-recruiters seem to lack confidence in the suitability of their own business as a platform for apprentices. Firms describe being too small to take on an apprentice due to lacking the time or the manpower, and that they have “no plans to expand”.

In addition to the costs associated with mentoring and supervising apprentices, FMB members interviewed following the survey mentioned a number of other, less obvious costs:

- There can be a lot of contact time with the training provider, particularly organising day release/block-release arrangements, especially where college courses change;
- Negotiations may be needed with sub-contractors where they expect more money for having to supervise an apprentice; as well as with clients who sometimes expect a discount if an apprentice is undertaking the work;
- Health and safety obligations – in particular, the requirements of the Construction (Design and Management) Regulations 2015 are perceived as onerous and demanding, heightening the perceived risk to firms of taking on an inexperienced and untested apprentice who might lack situational awareness or basic common sense;
- Changes to legislation, such as rules relating to Statutory Sick Pay (SSP), holiday pay and pension scheme entitlements, add to the sense of complexity around apprentices' entitlements, which can make firms think that it is easier not to bother;
- The costs and time associated with mentoring and supervision can lead to a drop in productivity due to a reduction in the supervisor's own output; and
- Among non-recruiters in particular, it is considered high risk that the cost and time associated with mentoring and supervision is an unknown quantity, meaning the likely effect on the business is similarly unknown.

## Barriers to retaining apprentices

The survey results reveal that 'concern over being able to retain apprentices' following completion of their programme, ranks as the third biggest barrier (out of ten) to training apprentices. This is especially the case given the time and money employers state that they invest in their development. Some members pointed out that employers have an important role in making apprentices feel like they "want" to stay, by inspiring and motivating them to succeed.

*"You've got to invest in apprentices if you want to keep them. This comes down to the employer understanding their aspirations and ensuring they are exposed to the trades and specialisms that will maintain their enthusiasm."*

*Employer (apprentice recruiter)*

It is acknowledged that retention can be difficult to control, with some SMEs stating that they would support an apprentice's decision to take a position elsewhere if it would serve their individual development.

Among non-recruiters of apprentices, there are concerns about a perceived lack of loyalty in the trade; that it is not worth putting the time and money into an apprentice who could leave the company when the apprenticeship is complete and potentially become a local competitor.

*"The younger lads just want to make some money. They get bored easily and then disappear."*

*Employer (non-recruiter of apprentices)*

*"My fear would be I'd train them up and they'd take my work off me."*

*Employer (non-recruiter of apprentices)*

*"In recent years, we've had to reduce the number of apprentices we take on. They often want to leave direct employment to be 'labour only' as they believe this offers financial advantages such as being able to offset tools and materials against tax."*

*Employer (apprentice recruiter)*

## Views on the current length of apprenticeships

Views are divided among FMB members about whether construction apprenticeships are currently the right length or if they ought to be longer. Some recognise that apprenticeships can only take individuals so far in their development, following which they need to hone their skills in practise. Others believe apprenticeships in construction should be three years or more. This is on the basis that it takes at least this amount of time to become fully competent in some trades, and that only after this time can employers genuinely reap payback for their investment.

*"You can't complete an apprenticeship and immediately call yourself a bricklayer."*

*Employer (non-recruiter of apprentices)*

*"Block release doesn't really work because they go away to college and come back with no work ethic again. I'd be happy to take on apprentices again if it was a five-year course with a single day-release of college time per week."*

Employer (non-recruiter of apprentices)

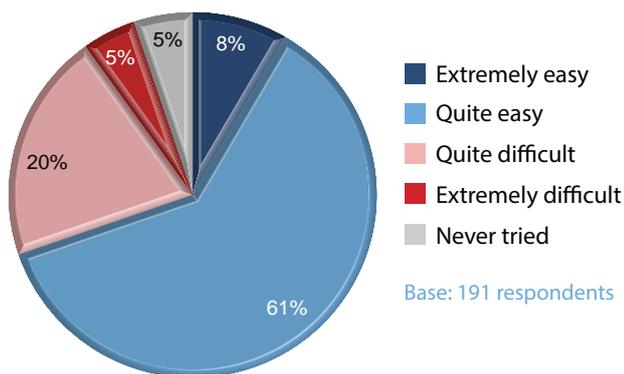
*"Various bodies involved in apprenticeships should be more proactive in helping employers. I might have 10 or 15 minutes to speak to someone over the phone but very little time to read lots of written material."*

Employer (apprentice recruiter)

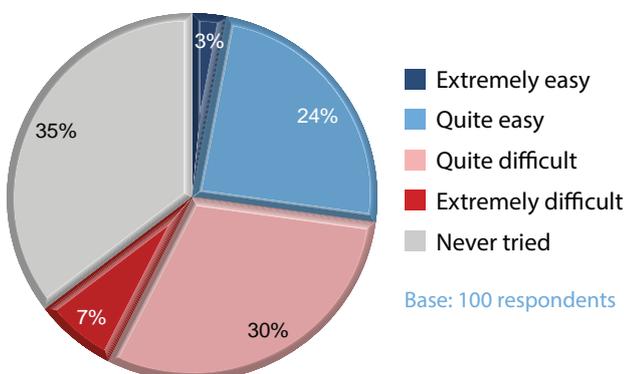
## Information about apprenticeships

The majority of experienced apprentice recruiters (69%) find accessing information about apprenticeships to be generally easy. This contrasts with non-recruiters, among whom only 27% find this easy (see Figures 5 and 6 below).

**Figure 5 Ease/difficulty in accessing information on how to take on an apprentice (experienced employers)**



**Figure 6 Ease/difficulty in accessing information on how to take on an apprentice (non-experienced/interested employers)**



The key issue is not so much a lack of information, but too much information from a wide range of sources. This makes it difficult for employers to "cut through" it all or even know where to start and what to trust. SMEs want easy access to reliable and practical step-by-step guidance on how to actually take on an apprentice.

*"There needs to be a real push from Government to show exactly what apprenticeships entail from the perspective of both the employer and the apprentice. Information needs to be proactively advertised and more readily available."*

Employer (apprentice recruiter)

## RECOMMENDATIONS:

### For CITB:

- Develop simple, step by step information and guidance for construction SMEs to take the fear out of hiring apprentices and to help them cut through perceptions of an overly complex and bureaucratic process. Create an apprenticeship toolkit folder for SME employers (possibly as a download) to include steps SMEs need to take:
  - If they want to recruit an apprentice, the costs they need to be aware of and plan for, the benefits, as well as a clear and comprehensive overview (ideally a visual presentation) of funding arrangements and entitlements.
  - On how to train an apprentice, as well as guidance to support SMEs in managing apprentices.

### For CITB and the FMB:

- Work in partnership to produce short video case studies aimed at those employers who are not training apprentices – these videos should show experienced SME employers talking about apprenticeship training from their own perspective to bring good practice to life and build confidence.

### For the FMB:

- Help members to find out more about apprenticeships by signposting them to reliable sources of online and telephone-based information, advice and guidance.



# 4. The finances

## Overview of wages and funding for apprentices

### Wages for apprentices

The Building and Allied Trades Joint Industrial Council (BATJIC) 2015/16 Working Rule Agreement took effect from June 2015. BATJIC is an agreement covering conditions of employment and wage rates negotiated between the FMB (as the representative of employers in the sector) and Unite the Union. The BATJIC Agreement has been in place since 1980. Table 1 (below) sets out the wage rates that apply for apprentices from this date up to June 2016.

**Table 1 BATJIC wage rates for apprentices under 19 years of age**

Age of apprentice	Weekly wage	Hourly rate
16	£179.79	£4.61
17	£239.46	£6.14
18 (without NVQ level 2)	£300.30	£7.70
18 (with NVQ level 2)	£317.85	£8.15

Source: BATJIC

The full craft rate (£11.50 per hour) is payable on the acquisition of NVQ level 3, including if achieved before the end of the third year of the apprenticeship. If the apprentice remains at NVQ level 2 at the end of the apprenticeship, the hourly rate will be £9.90, until he/she achieves NVQ level 3, even after completion of the apprenticeship.

### Government funding for course fees

The Government provides funding towards the cost of an apprentice's qualification. This funding is paid to the organisation providing the training, for example a college or private training provider. The amount of Government funding is based on the age of the apprentice:

- 100% of course costs for apprentices aged between 16 and 18;
- 50% of course costs for apprentices aged 19 to 23; and
- A possible 'contribution' for apprentices aged 24 and over.

Table 2 (below) presents the FMB's estimates of

Government funding for construction SMEs which train apprentices. These estimates are based on previously published Government figures for the funding of training provider costs covering apprentices aged 19+ in the construction, planning and built environment sector<sup>4</sup>.

**Table 2 Estimates of Government funding for apprentice training course fees**

Age of apprentice	Level 2 apprenticeship	Level 3 apprenticeship
16-18	£12,000	£14-15,000
19-23	£6,000	£7,000
24+	£0-6,000	£0-7,000

Note 1: For apprentices ages 24+, Government funding for training course costs 'may only be a contribution' and is therefore estimated as a range from £0 up to the value offered to 19-23 year olds.

### Specific grant schemes

In addition to Government funding, CITB provides grants through its construction industry levy to support employers in the sector who take on apprentices.

These include:

- Attendance grant (paid in quarterly instalments); and
- Achievement grant (paid on completion of a level 2 or level 3 Vocational Qualification and, additionally, upon completion of the apprenticeship framework).

In 2015-16, the total value of the grant for years one and two is £6,000, extending to a maximum of £10,250 for year three<sup>5</sup>.

As an additional funding incentive, the Government introduced the Apprenticeship Grant for Employers (AGE) in April 2012 to support businesses that would not otherwise be in a position to recruit 16 to 24-year olds into employment through the apprenticeship programme.

The AGE provided grants of £1,500 to employers with fewer than 50 employees that were new to apprenticeships, or those that had not enrolled a new recruit or existing employee onto an apprenticeship programme in the preceding 12 months. The scheme (closing to new applications in December 2015) was administered by the Skills Funding Agency.

<sup>4</sup> Department for Business, Innovation and Skills (2012) Evaluation of apprenticeships: employers

<sup>5</sup> CITB (2015) A guide to the grants scheme

## Estimated cost of apprentices to the employer

A Government report calculated the net cost to the employer of a Level 3 construction apprenticeship to be £26,000, in comparison to £11,400 for a Level 3 apprenticeship in financial services, and £5,000 and £3,000 for a Level 2 apprenticeship in hospitality and retail, respectively<sup>6</sup>. The most significant reason for this cost differential is the very low productivity of construction apprentices in the initial stages of their training, particularly during the first year of the apprenticeship.

**Non-recruiters think that apprentices cost more in terms of admin, mentoring and productivity, compared with experienced recruiters**

FMB members were asked to estimate the typical costs involved per week in supporting one apprentice, including administration, mentoring and productivity costs. The resulting average, mode (most common) and maximum amounts given by surveyed FMB members are shown in Tables 3 and 4. The average weekly amounts have also been scaled up to give estimated annual amounts, based on a 52-week year.

The findings reveal that non-recruiters of apprentices perceive these costs to be slightly higher than experienced recruiters, with the highest costs centring on productivity losses.

**Table 3 Estimated cost attributed to one apprentice (experienced employers)**

Type of Cost	Average per year	Average per week	Mode (most common) per week	Maximum per week
Administration costs per week	£2,600	£50	£50	£300
Mentoring costs per week	£6,344	122	£100	£500
Productivity loss costs per week	£8,320	160	£100	£1,000

Base: 139 respondents

Note 1: The minimum cost value given for each of these three elements was £0

Note 2: A small number of outlier responses have been removed with respect to administration and mentoring costs (figures of between £1,500 and £2,000 per week) to avoid skewing the data).

<sup>6</sup> Department for Business, Innovation and Skills (2012) Employer investment in apprenticeships and workplace learning: the fifth net benefits of training to employers study

**Table 4 Estimated cost attributed to one apprentice (non-experienced/interested employers)**

Type of Cost	Average per year	Average per week	Mode (most common) per week	Maximum per week
Administration costs per week	£3,120	£60	£50	£300
Mentoring costs per week	£8,112	£156	£100	£800
Productivity loss costs per week	£9,568	£184	£100	£1,200

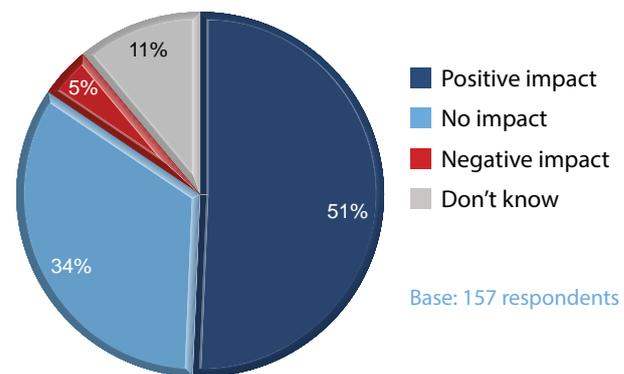
Base: 76 respondents

Note 1: The minimum cost value given for each of these three elements was £0

## Views on Government funding for apprenticeships

Just over half of experienced recruiters responding to the survey (51%) believe that if the Government offered the same funding to all construction apprentices – irrespective of age – this would have a positive impact on their business (see Figure 7, below).

**Figure 7 Likely impact if apprentice funding was not age-based (experienced employers)**



*"It might take an apprentice three years to do the NVQ, especially if they have to do the top-up qualification for English or maths. So if they start at 16 the funding will be halved in the third year and their wages will be higher."*

*Employer (apprentice recruiter)*

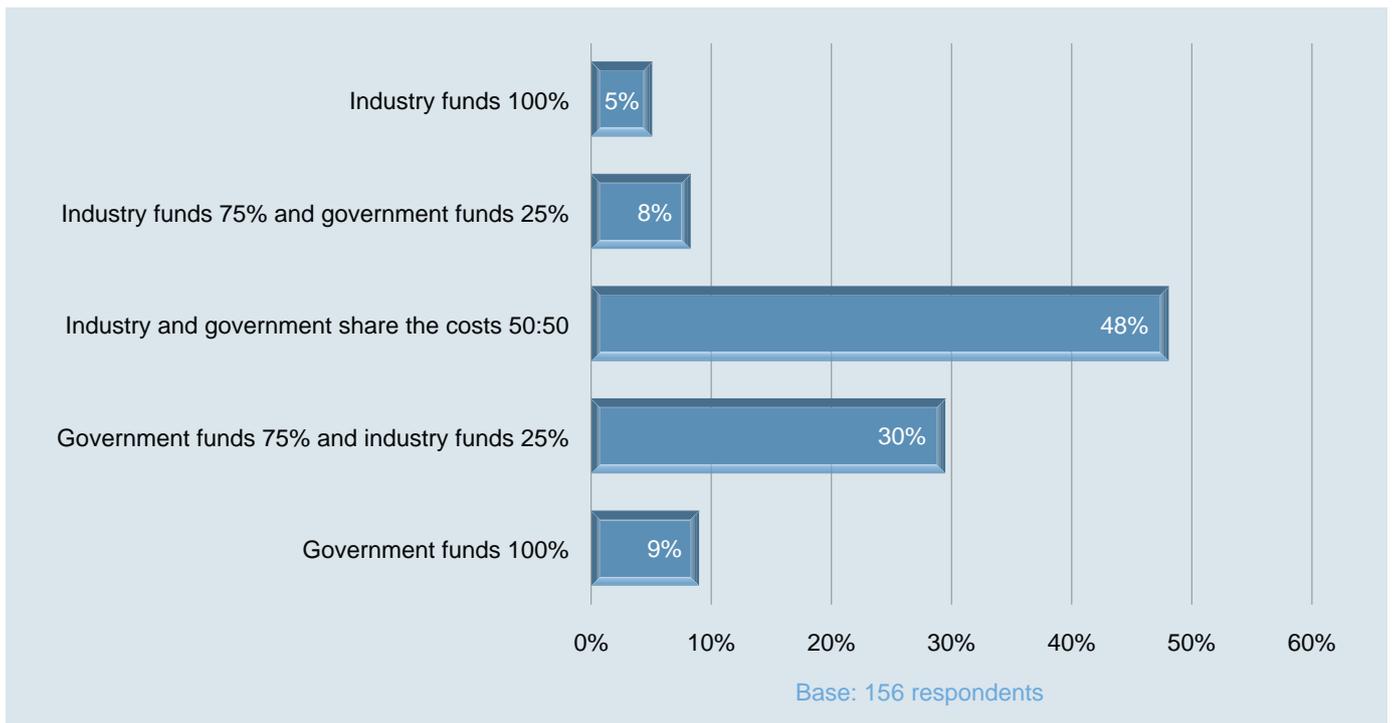
SMEs generally recognise that the current age-related funding arrangement for apprentices reflects Government policy to support young people to remain in education or training up to the age of 18. However, the financial incentive to recruit younger apprentices can seem inadequate where employers have doubts around their maturity, reliability and work ethic. These firms are likely to consider older candidates to be better able to demonstrate the qualities they are looking for, but may hesitate at taking them on due to funding levels dropping by 50% when an individual turns from 18 to 19 years of age.

*"I think the age limit for funding should be extended. Some people don't know what they want to do when they're young. Sometimes it takes time to find out what career is right for them."*

*Employer (apprentice recruiter)*

Surveyed FMB members were asked how they believe the cost of construction apprenticeships (specifically external training costs and wages) should be split between Government and industry. Respondents would generally like to see more Government funding for apprentices but recognise the importance of sharing that commitment. The vast majority (86%) believe that apprentices' external training and college fees, as well as the cost of their wages, should be shared between Government and industry. There are mixed opinions on how this should be split, with 61% of the view that industry should bear at least half these costs, and 39% of the view that the Government should take the lion's share, or even pay all of these costs (see Figure 8, below).

**Figure 8 How the funding should be split between Government and industry (experienced employers)**



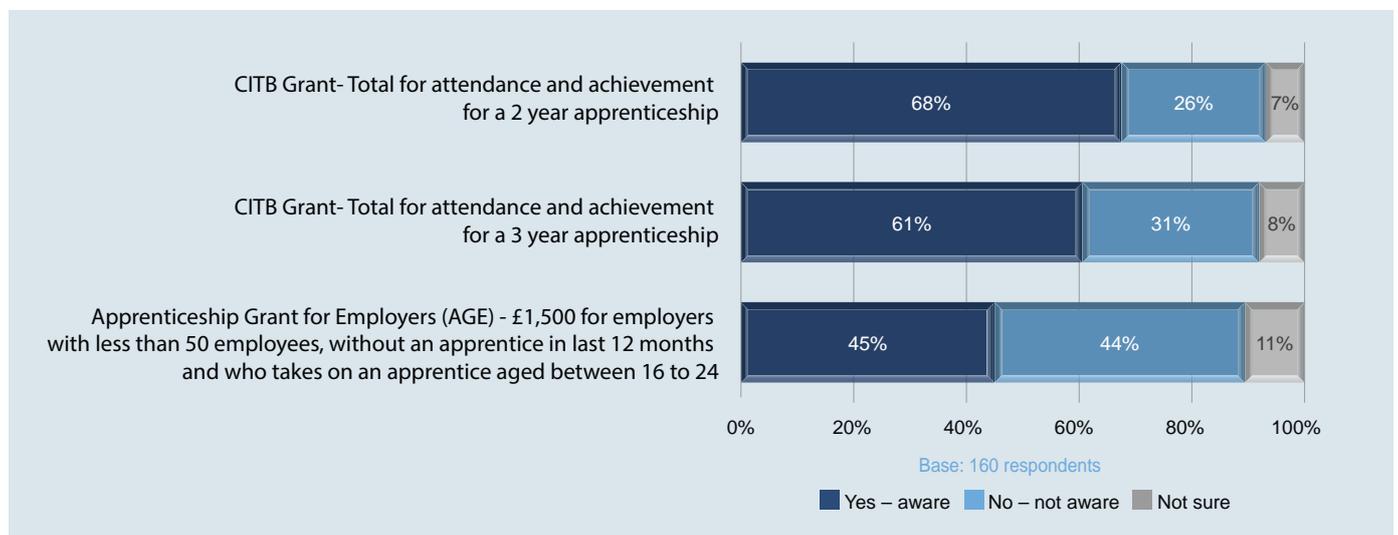
## Awareness and impact of specific grant schemes

The majority of SMEs (more than 60%) with experience of recruiting apprentices confirmed they were aware of the CITB maximum grant amounts prior to completing the survey. Less than half (45%) knew the details about the AGE (see Figure 9 below).

*"I think the CITB model works well. Initially we didn't know how to access everything but now we know how it all works. CITB has done a lot of work to explain the processes."*

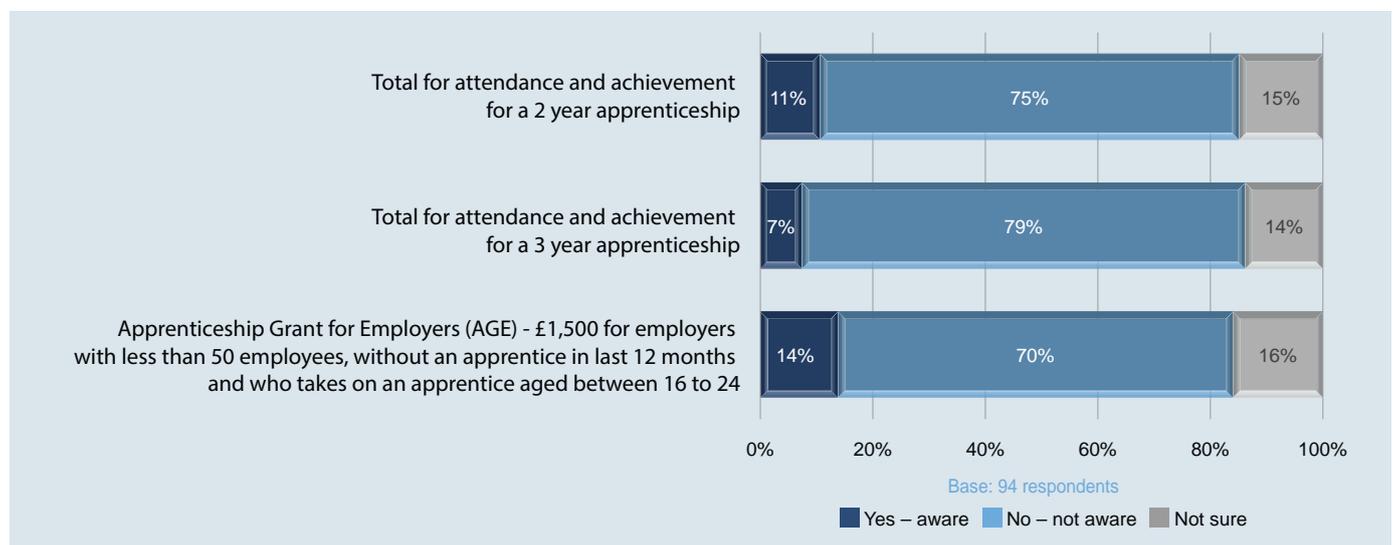
*Employer (apprentice recruiter)*

**Figure 9 Awareness of existing grants for construction apprenticeships (experienced employers)**



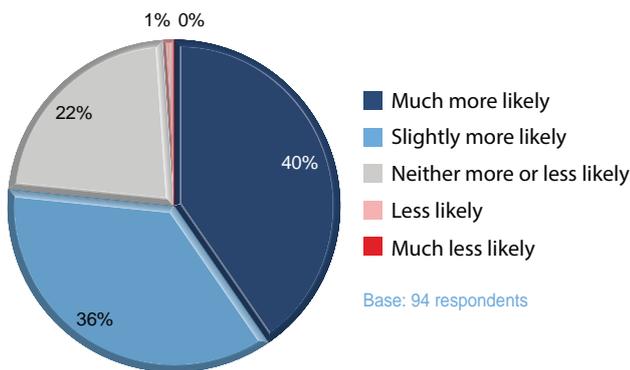
Among non-recruiters of apprentices, knowledge of these schemes is far more limited, with less than 15% stating that they were aware of each of the grant amounts prior to completing the survey (see Figure 10, below).

**Figure 10 Awareness of existing grants for construction apprenticeships (non-experienced/interested employers)**



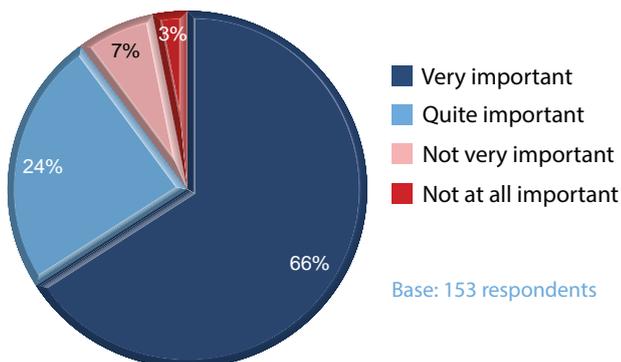
Over three quarters of non-recruiters of apprentices (76%) confirmed that having knowledge of these specific grants would increase their likelihood of taking on apprentices in the future (see Figure 11, below).

**Figure 11 Likelihood of taking on an apprentice based on knowledge of the available grant support (non-experienced/interested employers)**



Two thirds of experienced apprentice recruiters (66%) consider CITB grant support to be 'very important' to their ability to take on apprentices (see Figure 12, below).

**Figure 12 Perceived importance of a CITB grant to apprenticeship recruitment (experienced employers)**



Just over one third of experienced recruiters (34%) reported having previously taken on an apprentice through CITB's Managing Agency (52% said 'no' and 13% said 'don't know').

While it is clearly important for the Government to continue to provide 100% publicly-funded education and training for young people aged up to 18, more financial support is needed to:

- Stimulate small and micro construction employers to take on an apprentice if they don't already do so;
- Avoid the risk of apprentices being unable to embark on a programme because they cannot find an employer; and
- Ensure the national target of three million additional apprentices by 2020 will be achieved.

The reduction from 100% to 50% funding when an apprentice turns 19 can discourage employers from taking on a younger apprentice who might need longer than two years to complete their course.

Government should therefore look to identify where additional funding could be sourced to increase support for construction apprentices of all ages. This is even more important given the closure of the Apprenticeship Grant for Employers (AGE) to new applications in December 2015. One option would be to provide a more staggered funding reduction, for example 100% funding of course costs for those aged 16 to 18; 75% funding for 19 to 21 year olds; 50% funding for those aged 22 to 23; and a more defined contribution (where this is currently vague) for older apprentices.

## Perceptions of CITB

Surveyed FMB members have shown continuing support for CITB, with just under two thirds (64%) of the opinion that they would be worse off if CITB did not exist. This figure is almost the same among experienced apprentice recruiters (65%) and non-recruiters (62%).

Views are mixed in relation to the quality of service provided by CITB and the support provided by CITB's Apprenticeship Officers and Company Development Advisers (CDAs) – (see Figure 13, page 21).



**Figure 13 Perceived quality of the service provided by CITB**



In 2015 CITB commenced a root and branch review of funding arrangements associated with the construction industry levy and has taken steps to simplify and streamline the grants available. Future changes to this levy may be affected by the introduction of a new cross-sector Apprenticeship Levy. This new levy aims to encourage larger firms to take on more apprentices and increase their contribution to staff training. It is separate to the CITB construction industry levy.

There is general support among FMB members to the idea of CITB administering this new levy for the construction sector. Three quarters of experienced apprentice recruiters (75%) and an even higher proportion of non-recruiters (83%) believe that CITB rather than another organisation should take on this role.



## RECOMMENDATIONS:

### For the Government:

- Improve the funding arrangements for older apprentices, for instance through a more staggered reduction in funding for different age groups and a more defined contribution for apprentices aged 24 and over.
- Ensure the proposed Apprenticeship Levy is integrated effectively with the existing construction industry Levy. Specifically:
  - Ensure the Apprenticeship Levy contributions of those large employers in-scope to CITB are channelled back to CITB and ring-fenced specifically for the delivery of apprenticeships;
  - Require large employers to continue to pay the remainder of their CITB levy contributions (i.e. what remains once the Apprenticeships levy has been paid) so a payment of 1.5% on total labour only sub-contractor payments, assuming the Apprenticeship Levy is 0.5% of PAYE); and
  - All other employers in-scope to CITB and above the CITB threshold should continue to pay the CITB levy without any change.

### For CITB:

- Subject to any changes resulting from the implementation of the proposed new Apprenticeship Levy, consider increasing the allocation of funding for apprenticeships so that a higher proportion is available in the first year to offset employer costs/ lack of immediate return on investment.



# 5. Quality of apprenticeships

Apprenticeships combine work-based training to develop skills and competence, with off-the-job training to develop specific knowledge.

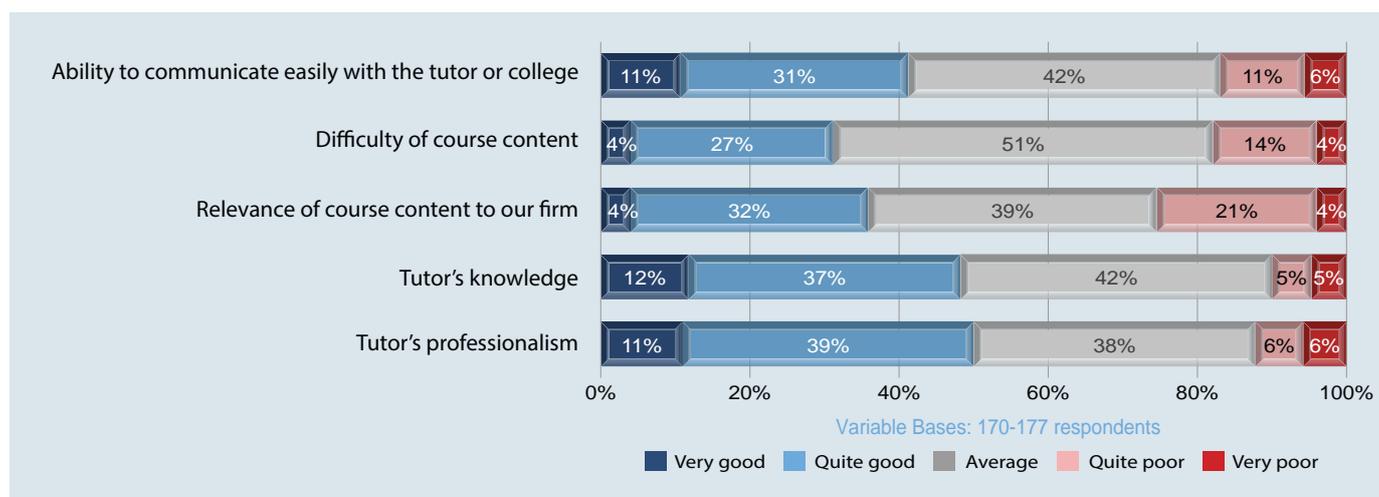
Apprenticeships can be studied at different qualification levels:

- **Intermediate Apprenticeships** lead to Level 2 qualifications, equivalent to 5 GCSE passes;
- **Advanced Apprenticeships** lead to Level 3 qualifications, equivalent to 2 A-Level passes; and
- **Higher and Degree Apprenticeships** lead to Level 4 qualifications and above.

To meet minimum Government standards, a recognised apprenticeship means a minimum duration of 12 months, employment of 30 hours per week, an English and maths requirement, as well as off-the-job training via a learning provider (typically a college, private training organisation or university)<sup>7</sup>. Off-the-job training is usually undertaken on day release (the apprentice attends one day per week) or over several days in a short period (block-release).

Less than half of surveyed FMB members with experience of recruiting construction apprentices consider the quality of training provision to be generally 'good', with a substantial proportion describing it as average. A key focus for criticism is the relevance of course content to the individual firm, with a quarter of respondents (25%) describing this as generally poor (see Figure 14 below).

**Figure 14 Quality of training provision (experienced employers)**



The findings do not reveal any obvious patterns by geography or size of employer. This, coupled with feedback from the qualitative interviews, suggests that the quality of training is variable

*"I get little feedback about my apprentice's progress and no updates on what they are doing there."*

*Employer – apprentice recruiter*

There are concerns that some college-based training is not of a sufficiently high standard due to:

- Not covering some of the most critical aspects of the job;
- Tools, equipment and other resources failing to keep up with the latest demands of industry<sup>8</sup>
- College tutors lacking relevant knowledge; and
- Difficulties communicating easily with the college tutor.

There is also a feeling among members that colleges are driven primarily by numbers, with examples of apprentices having been switched to different courses without employers' knowledge and without necessarily considering the best interests and aspirations of the apprentice.

<sup>7</sup> House of Commons Briefing Paper (2nd September 2015) Apprenticeships Policy, England

<sup>8</sup> Examples of industry changes include the growth of Building Information Modelling (BIM), which is increasingly being used to support the whole design and build process; materials and techniques to improve insulation and the carbon performance of buildings; and energy efficiency technologies.

*My apprentice returned after being at college. I asked him how it went – he said it was fine but wondered where the hairdressing skills fit in!”*

*Employer – apprentice recruiter*

*“Years ago it was a better system with more discipline and structure. At college they seem to have an easy time which doesn’t prepare them for a real-life working situation in this industry. Employers need to be given the opportunity to be more involved in the college training.”*

*Employer (apprentice recruiter)*

In line with recommendations from the Richard Review, new apprenticeship standards are being developed by employer-led groups known as trailblazers. The FMB is determined that the new apprenticeship standards reflect the needs of construction SMEs, and not just large employers, so has convened a trailblazer group made up of FMB members. This FMB-led group has been granted permission to develop two new apprenticeship standards in bricklaying and plastering/drylining as part of the trailblazer programme.

This is an exciting prospect for FMB members as the apprenticeship standards will determine how apprentices are trained across the board – they will be the only standard that training providers can work from. In the spirit of the trailblazer programme, the FMB-led group is keen that these new apprenticeships help raise standards in the construction industry and importantly, that they empower the apprentice to work for both large and small construction firms alike. The standards are being developed with support from City & Guilds.

## RECOMMENDATIONS:

### For the Government:

- Channel more funding through the Skills Funding Agency to colleges delivering construction courses for the specific purpose of updating equipment and resources to ensure training delivery reflects the modern industry.
- Introduce/fund an annual national satisfaction survey specifically for construction employers to gauge views on, and feedback about, working with publicly-funded colleges for apprenticeship delivery. The objective would be to stimulate better relationships, promote competition, drive up standards and identify strengths, weaknesses and trends over time. Results could be published at regional, county or even college level and support apprentices in deciding where to study.

### Recommendations for CITB:

- Direct more funding towards a programme of ‘training the trainers’ to ensure that tutors delivering construction courses know how to update and keep abreast of industry developments, for example as part of Continuous Professional Development (CPD).
- Promote and/or incentivise more flexible training delivery where possible, for example during evenings and weekends.





# 6. Schemes and initiatives

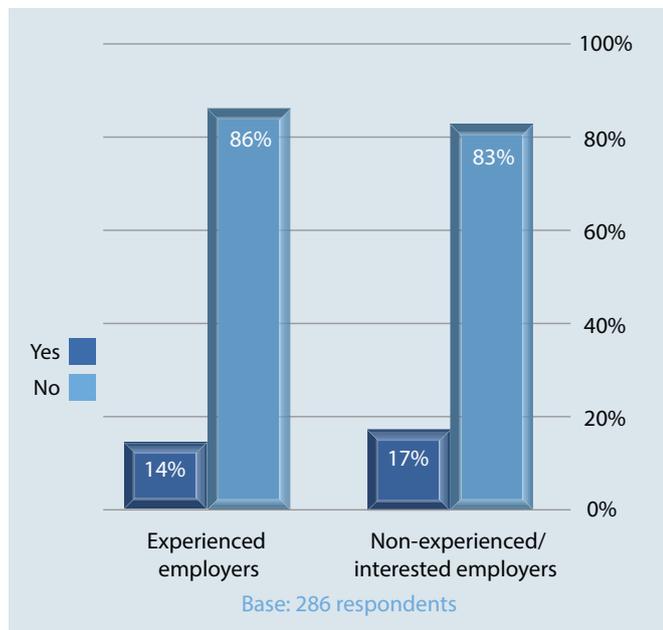
## Shared Apprenticeship Scheme

Small firms tend to be unable to plan their workloads as far ahead as larger firms and their pipelines of work tend to be less certain. The Shared Apprenticeship Scheme allows employers to support and benefit from apprentices, even if they are unable to offer them a long term placement. It enables construction apprentices to complete their programme by working with a number of different employers, to gain the skill sets they require to become qualified. Once the apprentice has finished working with an employer, they are found another placement, and upon completion of their programme, they will be assisted in sourcing permanent employment within their chosen trade.

The scheme is being rolled out by CITB following successful pilots in Lancashire, Merseyside and Wales. Ten schemes are being developed, which are expected to see 500 additional apprentices joining the construction sector every year.

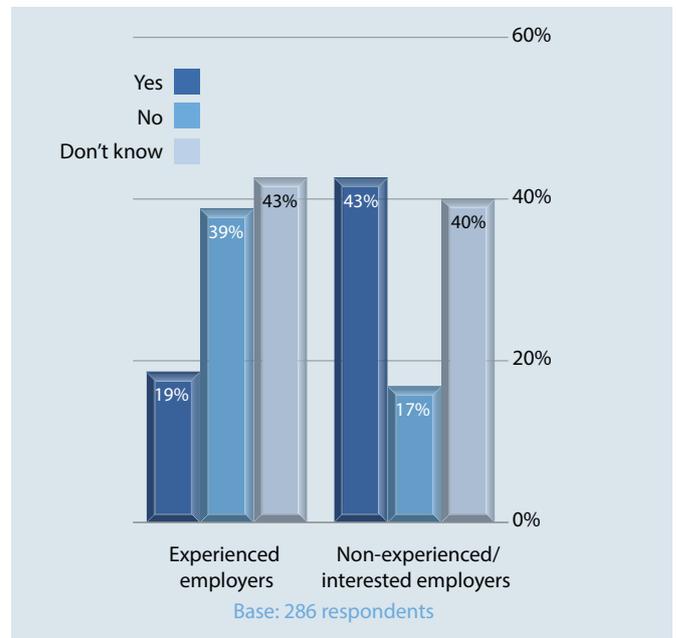
Less than a fifth of surveyed FMB members had heard of the Shared Apprenticeship Scheme prior to completing the survey (see Figure 15, below)<sup>9</sup>.

**Figure 15 Prior awareness of the Shared Apprenticeship Scheme**



Just under half of those SMEs with no previous experience of hiring apprentices (43%) confirmed that the Shared Apprenticeship Scheme would make them more likely to take on an apprentice in the future. This compares with a just under a fifth (19%) of experienced apprentice recruiters (see Figure 16).

**Figure 16 Whether more likely to take on an apprentice via a Shared Apprenticeship Scheme in the future**



FMB members emphasised the importance of having a clear process for coordinating and administering the scheme, and that this should be clearly communicated to employers to increase their likelihood of getting involved. Another important factor is ensuring that consistent standards operate among all employers so that shared apprentices have the best possible experience wherever they go.

Members raised a number of pros and cons which they associate with the Shared Apprenticeship Scheme.

**Pros:**

- ✓ Would suit micro firms that don't have sufficient work to support a full-time apprentice;
- ✓ Would help to broaden the skills and experience of apprentices; and
- ✓ Could work well in areas where businesses have close and well established networks.

**Cons:**

- ✗ Could make planning and keeping track of apprentices difficult;
- ✗ The apprentice is less likely to feel like they belong to one particular team; and
- ✗ Employers may not take as much responsibility for the apprentice if they feel their skills are being deployed elsewhere, or if they assume another employer in the scheme is taking more of a lead on training.

<sup>9</sup> Two respondents confirmed they had taken on an apprentice through a Shared Apprenticeship Scheme.

*"It sounds like a very good plan. In the back of our mind we are very aware of keeping people busy and keeping money coming in. We have a good network in our area and I think sharing apprentices would work very well."*

*Employer – non-recruiter of apprentices*

*"I wouldn't like that. I want to train them full-time. I don't like the idea of not knowing exactly what they are doing, what they are learning and how they are progressing."*

*Employer – non-recruiter of apprentices*

## RECOMMENDATIONS:

### For the Government and CITB:

Do more to raise awareness and promote the features and benefits of the Shared Apprenticeship Scheme to construction SMEs, including how they can get involved.

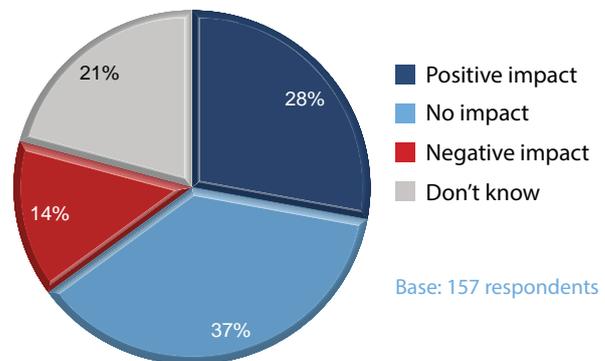
## Digital apprenticeship vouchers

Digital apprenticeship vouchers are being introduced from 2017 to give employers purchasing power and enable them to have a greater say in the quality, value and relevance of the training that their apprentices receive. The proposal involves the following stages:

- The employer registers details on to an online system and obtains a discount code;
- The employer uses this code when they make payments to a training provider;
- The training provider reclaims the value of the voucher from the Skills Funding Agency.

Views are divided among FMB members as to the likely impact of the new voucher model on their willingness to train apprentices. More than half (58%) feel it would either have no impact or they don't know what the impact might be (Figure 17).

**Figure 17 Likely impact of the apprenticeship voucher model (experienced employers)**



Construction SMEs have limited knowledge about the proposed voucher scheme, making it difficult for this research to assess the likely impact. Some employers questioned whether these vouchers are simply a way of "passing the buck" to employers to manage apprenticeship funding.

*"The impact on employers will all depend on how the scheme will work in practise. It's too early to know without those details."*

*Employer – apprentice recruiter*

## RECOMMENDATIONS:

### For the Government:

- Ensure the new digital apprenticeship vouchers, which are being introduced from 2017, are simple and easy to use. Road test the process for using the vouchers with construction SMEs, prior to full launch, to make sure it meets their needs.
- Provide clear, simple information upfront to businesses to explain what is being changed once the new digital apprenticeship vouchers are rolled out, what employers' responsibilities are (in a practical sense) and the benefits.

## Mutual guarantee arrangement

In 2015, the cross-party Commission on Apprenticeships recommended that Government should trial a 'mutual guarantee arrangement'. Under this arrangement, the employer would commit to investing in off-the-job training via a training provider, and the apprentice would commit to completing the apprenticeship or else bear some or all of the costs of that training.

FMB members are warm 'in principle' to some form of mutual guarantee arrangement as long as it is fair, transparent and enforceable. Such an arrangement could help to ensure that apprentices are fully committed and that parents feel more encouraged to support them in continuing with their programme.

However, there are a number of questions that would need to be overcome so that employers feel confident and supported by such an arrangement. For example, how would the scheme be enforced so that costs can definitely be recouped from apprentices leaving early? What happens if the apprentice does not really want to be there and it would be in everyone's interest – including the employer's – to let them go?

*"Yes – good idea. It would make them seriously consider before applying and ensure they are committed once they start".*

*Employer – apprentice recruiter*

*"It sounds like a brilliant idea. It would provide businesses with a bit more peace of mind."*

*Employer – non-recruiter of apprentices*

*"But how would you get money out of an 18-year old if they left their employer or jacked their course in?"*

*Employer – apprentice recruiter*

### RECOMMENDATIONS:

#### For the Government:

- Develop a mutual guarantee arrangement to encourage recruitment of construction apprentices, particularly among the smallest employers who might otherwise not do so. This arrangement would need to be fair, transparent, realistic, enforceable, and flexible enough to take account of any special or extenuating circumstances.





# Appendix: Methodology and profile of survey respondents

## Methodology

During August 2015, the FMB carried out an online survey among its members in England to understand their views about construction apprenticeships, identify the main barriers to recruiting apprentices, and to help develop recommendations to policy makers and others about how those barriers should be overcome. The survey questionnaire was sent to 7,029 members including those with and without prior experience of taking on apprentices. The survey achieved 346 responses (a response rate of 5%)<sup>10</sup>.

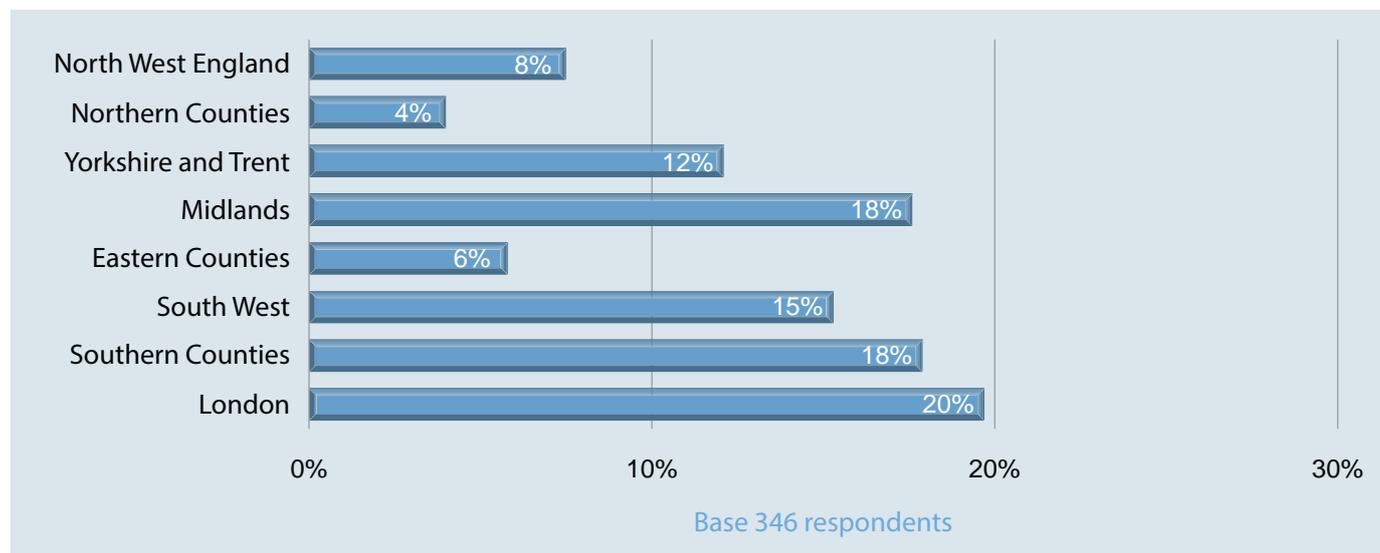
The FMB commissioned Pye Tait Consulting to undertake independent and impartial analysis of the findings, supported by ten in-depth telephone follow-up interviews<sup>11</sup>, five face-to-face visits to employers, as well as two focus groups (held at the London and Leeds offices of the FMB).



## Profile of survey respondents

Figures 18 to 21 (below and page 31) show the profile of survey respondents by geography, size band (employees), turnover and experience/interest in training apprentices. The survey profile does not necessarily reflect the FMB's full membership profile.

**Figure 18 Geographical distribution of survey respondents**



<sup>10</sup> The survey achieved a margin of error of +/-5.1% at the 95% confidence level.

<sup>11</sup> The telephone interviews involved six employers with experience of recruiting apprentices, and four employers with no prior experience but potentially interested in participating in the future.

Figure 19 Size distribution of survey respondents

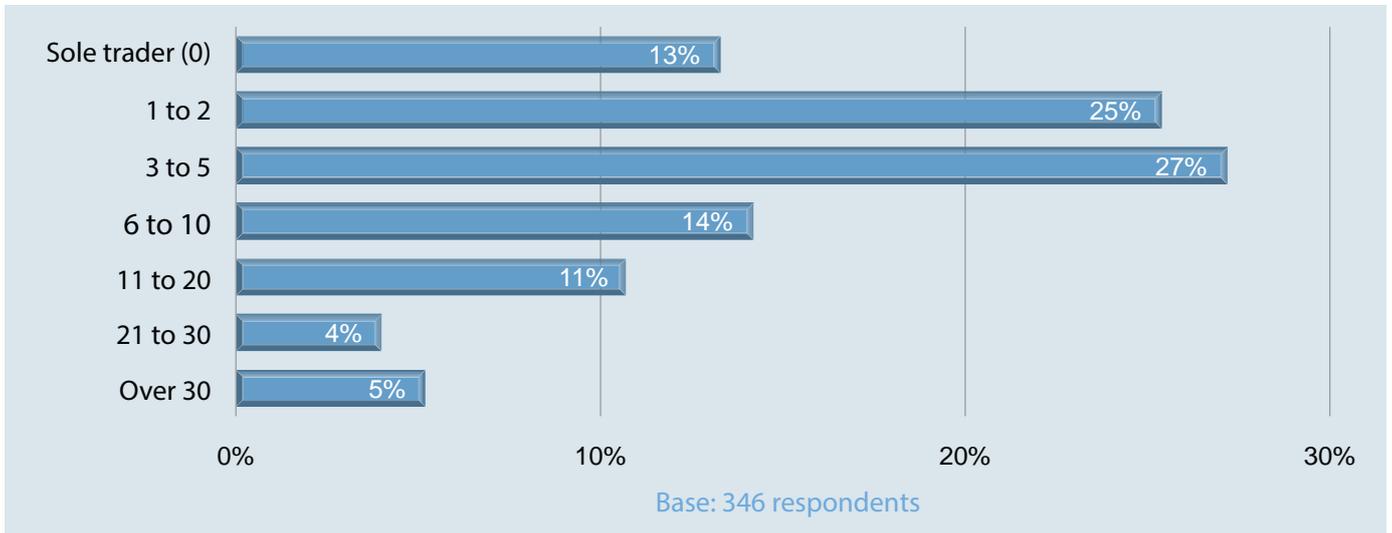


Figure 20 Turnover (£)

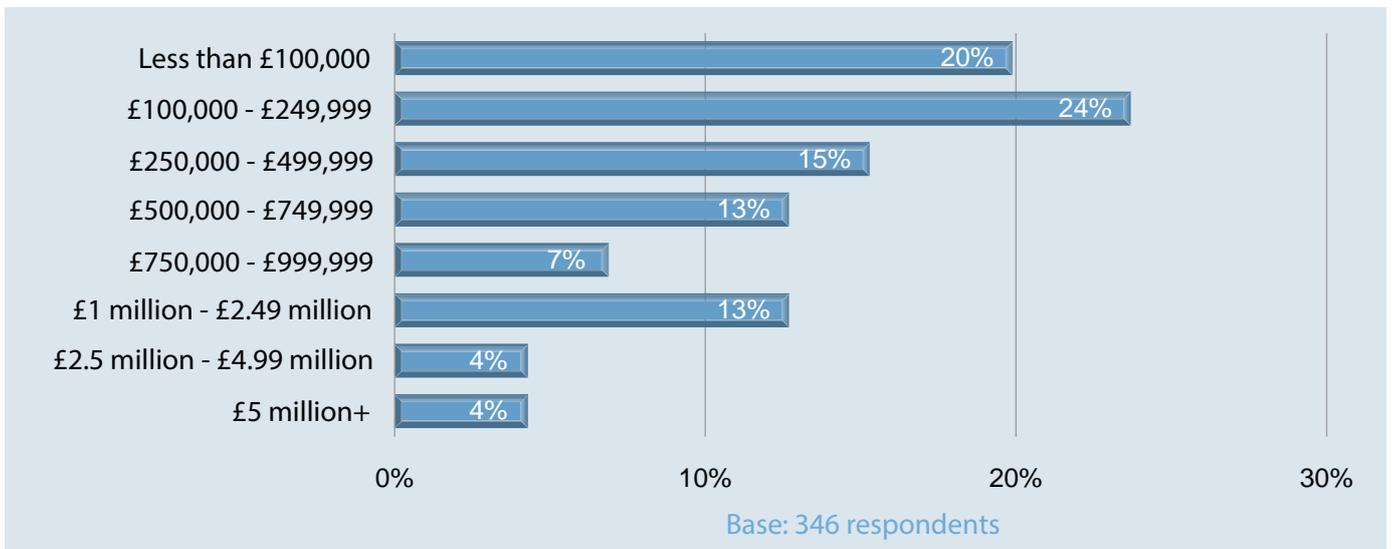
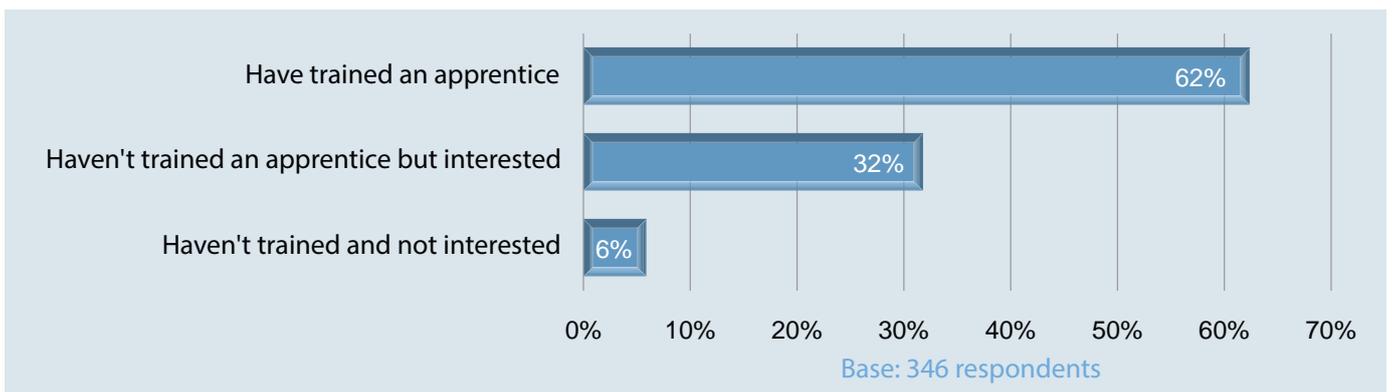


Figure 21 Experience/interest in training apprentices





# The Federation of Master Builders

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry representing thousands of firms in England, Scotland, Wales and Northern Ireland. Established in 1941 to protect the interests of small and medium-sized (SME) construction firms, the FMB is independent and non-profit making, lobbying for members' interests at both the national and local level.

The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to help them succeed. The FMB is committed to raising quality in the construction industry and offers a free service to consumers called 'Find a Builder'.

For more information about the FMB,  
please visit [www.fmb.org.uk](http://www.fmb.org.uk)  
or follow us on Twitter @fmbuilders