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# LPC 2008 Survey of Employers: Apprentice Exemptions

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A Denvir, D Pearmain, A Cox



REPORT 466

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Published by:

INSTITUTE FOR EMPLOYMENT STUDIES

Mantell Building

University of Sussex Campus

Brighton BN1 9RF

UK

Tel: +44 (0) 1273 686751

Fax: +44 (0) 1273 690430

[www.employment-studies.co.uk](http://www.employment-studies.co.uk)

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ISBN 978 1 85184 418 0

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## **Acknowledgements**

This research was commissioned by the Low Pay Commission (LPC). We are very grateful to Jessie Evans for her management of this project and to Jessie, Tim Butcher and colleagues at the LPC for valuable suggestions and comments as the project progressed.

We would also like to thank all those employers who participated in the survey.

Finally, thanks to James Walker-Hebborn, Siobhán O'Regan, Miranda Munro and Richard James at IES.

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## Executive Summary

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The Institute for Employment Studies (IES) was commissioned by the Low Pay Commission (LPC) to carry out a qualitative study of a small sample of employers to discuss issues relating to apprenticeships and particularly, apprentice National Minimum Wage exemptions. Forty telephone interviews were carried out with 28 employers of apprentices and 12 which did not employ apprentices, across a range of firm sizes, regions and low-paying sectors.

The sample was drawn from employers who had taken part in the 2008 LPC Survey of Employers which covered a range of National Minimum Wage issues. The 2008 Survey of Employers was a postal survey administered by GfK NOP (a market research agency) for the LPC. Employers who took part in the IES qualitative study actively consented to be contacted for further research on the issue of apprentices and apprentice exemptions. The self-selected nature of this sample of employers, the self-reported data captured during interview, and the limitations of both should be noted.

Data was gathered from 28 small, medium and large establishments *where apprentices were employed* on the number of apprentices, the types of apprenticeship schemes in operation, and the pay, hours, training and performance of apprentices. Views were also gathered on the current use of, and likely impact of, any changes to apprentice exemptions from the national minimum wage. A further 12 employers *where apprentices were not employed* were asked why they did not employ apprentices and what their views were on the operation of, and impact of, any changes to apprentice exemptions from the National Minimum Wage (NMW).

Employers in the final sample were chosen from the following sectors: childcare, hairdressing, hospitality, leisure, retail and social care. The number of apprentices employed varied greatly by establishment size. In large<sup>1</sup> establishments between

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<sup>1</sup> Large: 250+ employees; medium 50–249 employees; small 1–49 employees.

18 and 50 apprentices were employed; in medium size establishments between two and three apprentices were typically employed; and in small establishments typically one or two apprentices were employed (with the exception of hairdressing and childcare sectors where up to 15 employed apprentices were reported). In the small-employer category, apprentices comprised between two and 67 per cent of the workforce, with apprentices on average making up 21 per cent of the workforce. In the five medium-sized employers, apprentices made up, on average, three per cent of the workforce, ranging from 1–10 per cent. In the three large employers, apprentices comprised 4.6 per cent of the workforce on average, ranging from one to six per cent.

Of the 222 apprentices employed, interviewees were able to provide accurate data on age for 166. The majority of apprentices were aged 16–18 with over half of all apprentices employed in this group. However, there were still a considerable number of apprentices aged 19–21, and almost 10 per cent of apprentices employed were over the age of 22. Younger apprentices were appreciated for their lower cost, their malleability and the fact that three full years of training on reduced pay levels lay ahead. Older apprentices, particularly those aged 19 and above, were appreciated for their maturity, levels of responsibility and ‘life skills’; however, a number of employers regretted that these apprentices were more costly, disturbed pay differentials or caused discontent amongst established skilled employees on the NMW. Many employers expressed concern about compliance with age discrimination legislation and an interest in employing adult learners considering a career change or those returning to the job market, but felt that the current NMW regime did not support this. Bringing in older workers with the same skills as young workers, yet paying more was deemed to be unfair both to the employer and to colleagues.

Two-thirds of apprentices in the 28 establishments surveyed were female, with high proportions of women particularly in the childcare and hairdressing sectors, and the majority of apprentices employed were described as White. Employers typically stated that their gender and ethnic mix did not reflect their recruitment practices but the nature of the local labour market and the sector itself.

### **A mixed model of training provision is prevalent**

A range of apprenticeship schemes were in operation, typically NVQ levels 2 and 3, but also some company specific schemes, and it was not unusual to find a mix of schemes within the larger employers with different terms and conditions attached to each. Training provision was typically on-the-job with limited release for off-the-job training with external providers; for example, one day a week or one week in six. Training within the workplace was perceived to be of great importance and a small number of employers were particularly critical of other young workers

with college-only training. A significant number of employers categorised all on-the-job work as training, particularly for first and second year apprentices, and the high cost of training and mentoring was emphasised. Among the 28 employers of apprentices there was a broad satisfaction with training provision, particularly that provided in-house, and only a small minority described the off-the-job training received by their apprentices as 'poor' or 'very poor'.

### **Good apprentices are perceived as valuable assets to employers**

The quality of apprentices was an important theme. There was a broad satisfaction with the performance of apprentices, and indeed the majority rated the performance of their apprentices as 'good' or 'excellent'. However, performance was also seen to vary according to the competence and perceived work ethic of the individual apprentice and the skills possessed on entry. The increased value and contribution of apprentices to organisational performance and profitability in the third or final years of apprenticeship programmes was a repeated observation. Many employers relied on their apprentices to meet current business needs; however, a number of employers were also training what they believed to be their future skilled employees and stated a vested interest in high quality, highly trained and committed groups of apprentices passing through their schemes. Some employers expressed regret that workplace size limitations meant that they could not offer permanent positions to their current apprentices.

### **Apprentice pay - diversity in rates and influence on pay levels**

Typically, apprentices worked a 35 or 40 hour week, including off-the-job training. Pay for these hours varied greatly by employer, scheme and sector. Depending on year of apprenticeship, weekly pay rates ranged from £80 to £234 in childcare; from £131 to £240 in hospitality; from £80 to £214 in leisure; and from £50 to £170 in hairdressing where the lowest pay levels were recorded, which were below the Learning and Skills Council (LSC) minimum for England. The pay ranges were most diverse in retail where weekly pay, again depending on year of apprenticeship, ranged from £100 to £404. The pay dispersion in the retail sector reflects the diversity of establishments surveyed. A number of employers also referred to additional payments such as tips (typically in hairdressing), overtime (typically in retail), and bonuses, although all payments were reported to be in addition to hourly pay. Pressures on pay levels included the current rates of other employees within the establishment, rates in the local labour market for both apprentice and non-apprentice positions, the need to attract and retain high quality apprentices, the importance of rewarding increasingly valuable performance, and the cost of living.

## **Apprentice exemptions from the NMW are widespread**

Use of apprentice exemptions from the NMW was reported to be extensive. Most of the 28 employers surveyed stated that they used apprentice exemptions. However, a very small number were confused about the applicability or detail of these exemptions. In a couple it was not clear from their pay data that they were actually using any NMW exemptions for their apprentices.

## **Mixed views on proposed changes to apprenticeship exemptions**

All 40 employers were asked about their views on the current apprentice exemptions and for suggestions or recommendations for improvement, irrespective of whether or not they currently employed apprentices. Five scenarios were then presented and opinions gathered on their likely impact. The five scenarios were: 1) the current exemption is maintained; 2) existing contractual arrangements are given a statutory basis; 3) variations on the exemption are introduced, eg for some ages, for a specific length of time or by apprenticeship level; 4) a separate 'Minimum Wage' is set for apprentices; and 5) an age-related National Minimum Wage is applied to all apprentices of any age and the exemptions removed completely.

Although opinions varied there were some notable common themes. Not all employers were in favour of the NMW itself. Employers had strong opinions on the current apprentice exemptions and any possible changes. Although they recognised the importance of minimum standards and fairness, most employers referred to over-riding cost and market pressures which dictated lower levels of pay for those in training. Smaller employers and those in the childcare and hairdressing sectors viewed apprentices as critical to enabling the operation of the company on a profitable basis. Exemptions as they currently stand were also seen to allow employers to take risks by recruiting apprentices and to allow flexibility and differentiation, particularly by region and according to rural/urban locations.

There was quite widespread support for the introduction of a statutory basis for existing contractual arrangements subject to certain flexibilities and limitations being in place. A number of employers valued this option as a way to avoid the exploitation of apprentices. There was little support for exemptions to be abolished and age-related NMW rates to be applied. Many stated the critical importance of continuing government support and subsidy for apprentices. Without this subsidy many employers stated they would cease to employ apprentices. Apprentices were regarded as varying in quality and value by age and experience but these criteria were not accepted as useful for setting apprentice pay levels. Variations in pay rates according to qualification level and performance were accepted by many as a useful distinguishing factor although

not in isolation. Employers with apprentices were not keen to commit to a separate NMW without knowing the level at which this might be set.

Those employers without apprentices tended, in general, to favour either a separate NMW or establishing a statutory basis for the existing contractual arrangements, in order to provide fairness while still promoting apprenticeships and recognising the differences between apprentices and other employees.

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# 1 Introduction

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## 1.1 Apprentices in the UK

There are currently about 160 apprenticeships available across 80 industry sectors in the UK. Around 5 to 10 per cent of employers offer apprenticeships, typically in traditional sectors such as manufacturing and construction. The public sector is poorly represented.

It is estimated that approximately 180,000 learners of all ages in England start apprenticeships every year and over 100,000 successfully complete them.<sup>1</sup> The average length of an apprenticeship in England is 22 months at Level 3 and 13 months at Level 2.

Three in five apprentices are aged 16–18. Although apprenticeships have a poor gender and ethnic diversity record, women now comprise just under a half of current apprentice starts.<sup>2</sup>

## 1.2 Apprentice exemptions

Apprentices below the age of 19 and older workers in the first year of an apprenticeship are currently exempt from the NMW. Waged apprentices are instead entitled to £80 per week in England (this is due to rise to £95 during 2009). Weekly pay for apprentices has a contractual basis in England but there is no contractual apprentice wage outside England. There are some training allowances for non-waged apprentices, but these vary by level and country.

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<sup>1</sup> See p15 of DIUS (Department for Innovation, Universities and Skills) (2008): [www.Apprenticeships.org.uk/partners/frameworks/Apprenticeshipsdata](http://www.Apprenticeships.org.uk/partners/frameworks/Apprenticeshipsdata)

<sup>2</sup> Forty-six per cent of apprentice starters in 06/07 were women according to the TUC (2008a) *Still More (Better Paid) Jobs for the Boys*.

According to the DIUS Pay Survey in 2007, the average apprentice works 37 hours per week and a small minority more than 48 hours per week.<sup>1</sup>

### 1.3 Research details

The Low Pay Commission (LPC) commissioned this research from the Institute for Employment Studies as part of their analysis of the impact of the October 2007 upratings of the National Minimum Wage on firms in a number of low-paying sectors. It followed a postal survey, carried out by GfK NOP, of employers in low-paying sectors which explored the likely impact of the latest minimum wage upratings on employment, wages, wage bills, productivity, prices and profits, with a particular emphasis on issues related to age-related pay structures, apprentices, changes to leave entitlements and public sector contracts.

This qualitative study was designed as a follow-up to the main survey using a small sample of willing employers who responded to the first stage of the survey to explore issues related to apprentices and apprentice National Minimum Wage exemptions.

Six sectors were covered and semi-structured telephone interviews were carried out with 40 employers in small, medium and large establishments across the UK. Twelve of these employers did not currently employ apprentices. The questionnaire was based upon a draft produced by the LPC and covers details of apprentices and apprenticeship schemes, pay, hours, training and performance, barriers to the employment of apprentices and the current use of, and likely impact of, any changes to apprentice exemptions. It is shown in Appendix 2. Fieldwork was undertaken between the end of August 2008 and the end of September 2008.

### 1.4 Structure of report

- Chapter 2 provides details of the apprentices employed by those interviewed, and the nature of apprenticeships available.
- In Chapter 3 the pay and working hours of these apprentices is analysed.
- Chapter 4 explores the types of training employers in the study provide for their apprentices, employer satisfaction with this training, and employer perceptions of performance and apprentice quality.

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<sup>1</sup> Fong and Phelps (2008), p20.

- Chapter 5 outlines the perceived benefits of apprentices to the organisation and the barriers to, or reasons for, not employing apprentices amongst the employers in the sample.
- In Chapter 6, employers' views on current apprentice NMW exemptions are considered. A range of opinions on five change scenarios in relation to apprentice exemptions are outlined.
- In the final chapter, Chapter 7, the findings from this study are considered in the light of relevant recent literature on apprentices and apprenticeships.

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## 2 Employment of Apprentices

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### 2.1 Introduction

The sections which follow detail the nature of apprentices' employment, the programmes they are on and the qualification levels they are working towards. Later sections in this chapter provide a sectoral analysis.

### 2.2 Apprentice employment

Among the 28 employers with apprentices, 222 apprentices in total were employed. Of those 28 employers, 20 were small companies, four were medium sized and four were large. In total, 15 of the 28 employers interviewed had only one or two apprentices. Within these 15, 11 were small employers and 4 were medium-sized employers.

There was a little ambiguity concerning employment of unwaged apprentices. One firm stated that they employed an 'unwaged apprentice'. This was in the hairdressing sector, where the apprentice worked only on Saturdays and was given a small amount of cash fortnightly, with the potential of gaining a full apprenticeship at a later date.<sup>1</sup> Several other firms stated that they employed young workers on a casual basis with similar pay arrangements and the same possibility of joining an apprenticeship scheme at a later date, but they did not refer to these employees as unwaged apprentices.

### 2.3 Apprentice programmes

Most of the apprentices in the 28 employers surveyed were studying an NVQ qualification of some sort. The range of NVQs being undertaken was diverse,

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<sup>1</sup> The focus of this study was on apprentices, and the details or legal basis of any work experience arrangements were not explored by the authors.

encompassing Business Administration, Catering, Childcare, Childcare and Education, Engineering, Finance, Hairdressing, Information Communication and Technology, Leisure and Tourism, and Vehicle Body Repair. Some apprentices were undertaking 'Modern Apprenticeships', others were undertaking training in large private sector motor-trade companies that had designed their own apprenticeship programmes. Employers argued that these private sector apprenticeships were felt to be qualitatively and technically quite distinct from the more general apprenticeship programmes.

### 2.3.1 Qualification levels

Most apprentices were in the process of completing their NVQ, at level 1, 2 or 3 depending on the length of time spent so far in apprenticeship. Not all apprentices were expected to achieve higher qualification levels, for example level 2 NVQ was sometimes felt sufficient by employers to employ apprentices as full-time staff, particularly in childcare. However, an NVQ in itself was not necessarily seen as being of great value without the relevant on-the-job work experience. Employers were particularly emphatic on this point in the childcare and hairdressing sectors, stating that to employ young people without some evidence of their practical understanding of the job was a risk.

## 2.4 Demographic characteristics of apprentices

Not all employers could provide full data on apprentices' ethnicity or gender. Generally, in small or medium sized companies, the interviewee was the owner or establishment manager and had immediate knowledge of all their employees, including apprentices. However, in large employers the interviewee was often from the HR department and details of current apprentices were not always on file or up to date.

### 2.4.1 Ethnicity

Of the 222 apprentices in total within the 28 establishments surveyed, data on ethnicity was provided in relation to 210. Almost all were described as 'White' and only five 'non-White'. Employers often attributed the prevalence of White apprentices to the ethnic make-up of the local population and referred to their apprentices as representative of that population.

### 2.4.2 Age

Of the 166 apprentices in the sample for whom age data was provided, 20 per cent were aged 16 or 17, with just over 31 per cent aged 18. Nearly 14 per cent were aged 19, 13.9 per cent were aged 20, 12 per cent were aged 21, with the remaining

10 per cent of apprentices aged 22 or over. The full breakdown of the distribution of apprentices' ages can be seen in Table 2.1.

**Table 2.1: Age of apprentice**

Age of apprentice	16-17	18	19	20	21	22+
Number of apprentices employed	33	52	22	23	20	16
Percentage	19.9	31.3	13.3	13.9	12.0	9.6

*Source: IES, 2009*

In some industries employers openly expressed their preference for younger apprentices and many of these attributed this to the lower pay levels possible for these employees. This view was particularly prevalent in the hairdressing, hospitality and leisure organisations within our sample.

Table 2.2 gives a full breakdown of the age of apprentices in our sample employed by sector.

**Table 2.2: Age of apprentice, by sector**

Age	Number of apprentices employed in each sector					
	Childcare	Hairdressing	Hospitality	Leisure	Retail	Social Care
16-17	2	15	2	1	8	5
18	9	9	4	2	18	10
19	2	4	0	0	14	2
20	3	0	0	1	19	0
21	3	1	0	0	10	0
22+	2	0	1	0	10	3
Total	21	29	7	4	79	20

*Source: IES, 2009*

## 2.5 Sector overview

### 2.5.1 Childcare

In childcare, a total of 21 apprentices were employed within the six (small) employers surveyed. Of the 21 apprentices, 20 were female, around half were aged 16–18 and there was a reasonably even distribution of apprentices in each of the other age groups.

### 2.5.2 Hairdressing

In the hairdressing sector, 28 of the 29 apprentices were female, and 24 of the 29 apprentices were aged 16–18. Although one employer spoke about the responsibility levels and enhanced customer care skills of more mature apprentices, others expressed a preference for recruiting younger staff who can be paid less in the short-term. A reliance on apprenticeships and exemptions for business success or survival seemed to be an important factor in the structuring of recruitment practices and the total employee mix.

### 2.5.3 Hospitality

In the hospitality sector, a total of seven apprentices were employed by the four employers within our sample with apprenticeships. Apprentices were most commonly studying a Catering NVQ working as apprentice chefs. The majority of apprentices were aged 16–18 within this sector, with only one apprentice over the age of 22. Apprentices were most commonly male in this industry (six of the seven in the sample).

### 2.5.4 Leisure

Two employers were interviewed in the leisure sector, out of a possible three who volunteered to participate. In our sample, a total of four apprentices were employed, with three of these aged 16–18. Only one of the four apprentices was female.

With such a small sample of employers it is difficult to make substantive comments about the nature of recruitment, but one employer openly disclosed that apprenticeships were a means of *'trying out staff to see how good they are without paying NMW'*. However, the other employer in this industry paid above the NMW, stating that apprentices added significant enough value to make them worth that level of pay.

### 2.5.5 Retail

In the retail sector, three of the six employers surveyed that used apprenticeships were large employers. A total of 79 apprentices were employed within this sector. A diverse spread of ages was found with a less uniform structure of apprenticeship or type of apprenticeship compared to the other industries within our sample.

Only eight of the 79 apprentices were identified as female, although full data could not be provided by all employers.

### 2.5.6 Social Care

In total, there were 20 apprentices employed by the four employers surveyed that used apprenticeships in social care. Of the 20 apprentices employed, 16 were female. Fifteen of the apprentices were aged 16–18 and three were over the age of 22.

A diverse range of NVQs were studied in this sector and the industry was relatively diverse, with Business Administration, Childcare, and Information, Communication and Technology studied by the various apprentices.

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## 3 Pay and Hours

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### 3.1 Introduction

In the sections which follow, the pay, additional benefits and working hours of apprentices employed are detailed. Later sections provide a sectoral overview.

### 3.2 Hourly and weekly pay

Employers interviewed tended to provide weekly rather than hourly pay data.<sup>1</sup> Weekly pay varied a great deal by sector, with the differences between sectors outlined in more detail later in the report. As detailed in Table 3.1, pay levels for first years ranged from £50 to £346 per week, from £100 to £404 per week for second years, and from £125 to £404 for third years. It should be noted, however, that some employers were not able to provide rates of pay, predominantly for second and third year apprentices. It is also important to note that of the 28 employers in the final sample that employed apprentices, 13 said they had a pay structure with pay levels that varied year-on-year for all three years. Eight employers said that their apprentices were paid an increased rate in year two and then remained at that level until the apprenticeship was complete. Two employers said that their apprentices were on the same rate for all three years with some discretion allowed on the basis of performance. Data was not available for the remaining five employers' pay structure over the three years. Therefore, it is possible that the actual average yearly rates of pay for the sample may be slightly higher or lower than suggested.

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<sup>1</sup> Where hourly rates were offered by employers we calculated these into weekly rates of pay in regard to the number of standard weekly hours to allow a basis of comparison.

Table 3.1: Weekly pay of apprentices

	Weekly Pay £		
	1st year	2nd year	3rd year
Complete	27	24	21
(Missing)	1	4	7
Mean	133	179	207
Median	113	170	195
Minimum	50	100	125
Maximum	346	404	404

Source: IES, 2009

Some employers did not currently have third year apprentices so pay rates, they suggested, would be hypothetical. Other employers had moved particular apprentices in their third year onto the general staff pay structures because they felt these third year apprentices were able to add significant value. For instance, one employer in the hairdressing industry allowed apprentices to become 'trainee stylists' in the third year once they had finished NVQ level 2.

### 3.3 Additional pay and benefits

A small number of the 28 employers interviewed said they did not give any additional benefits, but most apprentices received some form of additional payment. Where benefits were provided, these were reported to be additional to weekly pay and were not used as a means of substitution by any of the interviewees in our sample. Overtime was the most common form of additional pay, typically at double time or time and a half; however, many employers who provided overtime payments said that they rarely made use of overtime hours.

Bonus payments were the second most common form of additional payment. In some cases these bonuses were intended as a direct incentive for apprentices, eg when offered on completion of relevant qualifications; in other cases they were establishment-wide and were paid to all staff including apprentices, eg a Christmas bonus.

Apprentices in certain sectors often received tips, most commonly in hairdressing but also in some areas of hospitality. Other benefits were generally specific to particular industries; for example, discount childcare was available to apprentices in the childcare sector, free haircuts were offered to hairdressing apprentices and free meals were offered in hospitality.

## 3.4 Hours worked

Hours worked by apprentices varied slightly by sector but on the whole were fairly consistent, being between 35 and 40 hours a week. A minimum of 22 hours per week and a maximum of 45 hours per week were reported. Overtime hours were reported to be common in childcare where absenteeism and staff turnover were identified as persistent problems.

## 3.5 Sector overview

### 3.5.1 Childcare

All the employers included in this section of the sample were small employers. Employers reported that apprentices worked between a 36 and 45 hour week (with a mean of 36 hours and a median of 36 hours worked each week). Of the six employers interviewed within this sector, pay rates were as follows:

- From £80 to £234 per week in the first year (mean of £134, median of £122).
- From £122 to £234 per week in the second year (mean of £174, median of £170).
- From £170 to £234 per week in the third year (mean of £199, median of £195).

### 3.5.2 Hospitality

In hospitality, apprentices worked between 22 and 40 hours per week (with a mean of 35 hours and a median of 39 hours per week). Weekly pay rates for the apprentices of the four employers interviewed were as follows:

- From £131 to £206 per week in the first year (mean of £162, median of £155).
- From £150 to £220 per week in the second year (mean of £181, median of £177).
- From £169 to £240 per week in the third year (mean of £200, median of £195).

Of the three employers interviewed that used apprenticeships in hospitality, two of them said that they did not make use of exemptions from the NMW. They related this to the fact that these apprentices were chefs and could add value relatively quickly. Interviewees also stated that within the hospitality workplaces, close working relationships are formed between waiters and bar staff, and therefore payments below NMW level would cause friction between employees.

### 3.5.3 Hairdressing

Six employers were interviewed in the hairdressing sector. They employ some of the highest number of apprentices as a proportion of total staff. The employers

interviewed reported that apprentices worked between 35 and 39 hours a week (with a mean and median of 38 hours). The pay rates for apprentices within hair-dressing were as follows and were the lowest on average of any industry covered:

- From £50 to £90 in the first year (mean of £79, median of £83).
- From £100 to £170 in the second year (mean of £126, median of £120).
- From £125 to £170 in the third year (mean of £157, median of £166).

One employer was unable to provide information on pay for apprentices in their second year, and two employers were unable to provide data for apprentices in their third year. This was attributed in part to the varying rates paid to apprentices at this point in the apprenticeship, with age being a relevant factor.

Some employers in this sector were critical of fellow employers who they felt were competing on wages without spending on training. One suggested that some hairdressers hire high numbers of apprentices but give limited opportunities to develop skills in some salons, purely to avail of NMW exemptions.

### 3.5.4 Leisure

Only two employers in the leisure industry were available for interview. In one organisation, apprentices worked a 35 hour week, and in the other a 37.5 hour week. The pay range for apprentices in this sector was as follows:

- From £80 to £201 in the first year (mean and median of £141).
- From £172 to £201 in the second year (mean and median of £187).
- From £172 to £214 in the third year (mean and median of £194).

One employer stated that they made use of the exemptions from the NMW for apprentices whilst the other did not. This was attributed to labour market factors.

### 3.5.5 Retail

In the retail sector, employers reported a very diverse range of practices for apprentices, reflecting the range of employers in the sector. The number of hours worked per week ranged from 36 to 42.5. Weekly pay rates by year were as follows:

- From £100 to £346 per week in the first year (mean of £174, median of £133).
- From £155 to £403 per week in the second year (mean of £227, median of £191).
- From £200 to £404 per week in the third year (mean of £276, median of £250).

Of the six employers in retail interviewed, five made use of the exemptions.

### 3.5.6 Social Care

The hours apprentices worked per week in social care varied from 37 to 38 hours. Weekly pay rates by year are shown below but figures should be treated with caution, as not all employers could provide data:

- From £80 to £112 in the first year (mean of £128, median of £110).
- From £170 to £220 in second year (mean of £187, median of £170).
- From £170 to £195 in the third year (mean and median of £183).

In social care, of the four employers interviewed who employed apprentices two said that they made use of the exemption whilst two did not.

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## 4 Training and Performance

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### 4.1 Introduction

In this chapter the training received by apprentices employed by those interviewed is outlined – both on- and off-the-job. Employer satisfaction with this training is then considered. The performance of apprentices, employer attitudes towards performance, and the issue of non-completion are then explored.

### 4.2 Types of training

#### 4.2.1 On-the-job

On-the-job training was by far the most common form of training received by apprentices. Often ‘learning by doing’ was the emphasis, particularly in occupations such as hairdressing and childcare. Personal tuition and mentoring with some form of formal feedback were all given as instances of this kind of training. Employers who relied heavily on on-the-job training described the ways in which they attempted to make this training systematic. In childcare, for example, regular observation was built into the training and one employer in the hospitality industry described how apprentice chefs would slowly build their capability to prepare and cook the whole menu of food on offer. In most cases employers reported that simply doing the job and learning through experience with appropriate guidance was the core of the apprenticeship on offer.

Comprehensive on-the-job training programmes were more common in the larger employers, for example in the retail sector, and in particular in specialist areas of retail such as motor trade repair.

When employers were asked during the interview to differentiate between ‘normal working hours’ and ‘on-the-job training’ many said that all time spent on the job was training. This categorisation of all work time as training (‘learning all the time’) occurred across all sectors and has important implications, for example

on the costing of training deemed to be provided irrespective of the tasks carried out or the supervision received, or in assessing the quality of training provided.

#### 4.2.2 Off-the-job

Off-the-job external training, where provided, was typically day release or week release at a local college to complement on-the-job provision. Examples of such training were given by employers in social care, hospitality, childcare and retail sectors in particular.

The majority of off-the-job job-specific training provided internally was described as ad hoc or irregular with a specific learning gap to be addressed, eg product training such as colour courses provided by manufacturers for hairdressers. In addition, many employers took their employees out of work for health and safety or IT training.

### 4.3 Satisfaction with training

On the whole, employers were satisfied with the training offered to apprentices. On-the-job training and off-the-job training delivered *within the workplace* by an external provider was generally considered to be satisfactory or excellent.

However, there was sometimes a less favourable assessment of off-the-job training delivered *away from the workplace*, for example training delivered by a college or equivalent. A small number of employers in the childcare, hairdressing and social care sectors rated the off-the-job training received by their apprentices as 'poor'.

Training was seen to be important for a number of reasons. One employer spoke of the loyalty it engenders: *'Training bonds them to us'*.

The quality of training also allowed employers to differentiate themselves and was a source of pride. One employer said that *'people who leave here are snapped up'* noting that their training was *'the best in town'*.

Employers were generally sceptical of training that had no practical element. Criticising college-only training one employer stated: *'Those out of college are virtually unemployable'*.

### 4.4 Performance

A significant majority of employers rated their apprentices as good or excellent. There were some exceptions but on the whole there was a positive assessment of apprentices and their value. Some employers had difficulty in rating the performance of their apprentices and related this to the extent to which performance varied greatly by apprentice depending on the capabilities and

personality of the individual. One employer refused to give a general assessment because of this variability. Employers who rated their apprentices as satisfactory tended to qualify that this was 'a compromise solution' to the difficulty of making a generalised rating.

**Table 4.1: Employer rating of performance**

	Industry sector						Total
	Childcare	Hairdressing	Hospitality	Leisure	Retail	Social care	
No answer	1	0	0	0	0	0	1
Poor	0	1	0	0	1	0	2
Satisfactory	4	1	0	0	1	1	7
Good	1	1	3	0	3	1	9
Excellent	0	3	1	2	1	2	9
Total	6	6	4	2	6	4	28

Source: IES, 2009

## 4.5 General satisfaction with apprentices

There was broad agreement on reasons for variation in satisfaction with apprentices. The attitude of the apprentice was identified as a key factor. Employers defined a 'good attitude' as a willingness to listen and learn, with a generally positive approach to work. Employers believed that the factors influencing this attitude were apprentices' degree of commitment to their chosen profession, the quality of earlier careers advice, their expectations of work and their degree of willingness to develop themselves. However, poor technical ability and poor basic skills were cited as a cause of dissatisfaction with apprentices.

*'They need a great deal of support.'*

*'We're trying to teach a career but we have to teach [them] how to be people.'*

*'[Some] can't read, can't write.'*

Discussing poor careers advice, one employer said: *'They are told if they've no GCSEs then it's childcare or hairdressing'*; another referred to *'unrealistic expectations'* created by faulty or absent advice.

In general, however, employers interviewed were satisfied with the performance of their apprentices and saw significant value in employing them. Several employers had very positive statements to make, with comments such as *'excellent'*, and *'We wouldn't employ apprentices if we did not believe we were not taking on the employees of the future'*.

Some employers believed they were training their future workforce and so the quality of apprentices was given added weight. One stated: *'If we invest money we're more supportive in the future'*, and gave an example of current plans for a crèche to keep their current staff (ex-apprentices) in whom investment has taken place. Another said: *'[We] like apprentices to think their future is with [us]'*.

## 4.6 Non-completion

Some employers of apprentices within every sector reported that all or most apprentices had completed their apprenticeship, and indeed some reported a perfect success rate in apprenticeship completion.

A small number of employers indicated that the vast majority of apprentices had not completed successfully with perhaps just one apprentice in five years or so managing to complete. Of the remaining, the range of non-completion rates varied from 10 to 60 per cent of apprentices. Two of the retail employers in the sample indicated high non-completion rates at 50 or 60 per cent. Half of the employers in childcare in the sample indicated non-completion rates of 10 to 40 per cent, whilst four of the six hairdressing employers in the sample indicated non-completion rates of between 10 and 38 per cent.

Employers gave a number of reasons for failure to complete apprenticeships, primarily problems with individual commitment and aptitude, coupled with some dissatisfaction with pay levels. There was also a sense that apprenticeships did not always match young people's expectations and involved a great deal more hard (in retail) work or menial work (in hairdressing and hospitality) than anticipated. Some employers referred to a lack of 'application' or 'work-ethic' in those not completing.

A small number of employers in the sample also spoke about the time needed to be spent 'waiting for skills' and 'before the job can be done' which they said was a frustration for some apprentices. One employer spoke about the 'here and now' society which gives apprentices a false impression, and in a number of cases those who provide early career advice were blamed for creating unrealistic expectations.

*'GNVQ level 2 is very basic ... they will not immediately have the opportunity to cut hair ... they are not always willing to learn and start with menial jobs.'*

*'It's not as glamorous as some young people think.'*

*'They have an idea that it is an easy option.'*

Some employers felt simply that the skills of the apprentice did not match up to the skills required by the job and the realisation of this led to the potential apprentice giving up. For some employers this was quite a natural and necessary

occurrence. In some industries, for example childcare, and to a lesser extent hairdressing, it was also felt that apprentices did not have the necessary interpersonal skills to fulfil the requirements of the job.

While those employers interviewed placed a greater emphasis on individual commitment and aptitude as reasons for non-completion, many said that pay was an important factor leading apprentices to abandon their apprenticeships. For instance, employers believed that some apprentices compare their pay levels unfavourably with those of peers and colleagues in non-apprenticeship posts. One referred to apprentices getting 'fed up' as they see their friends earning more in non-apprenticeship roles. Employers who offered longer apprenticeships felt that this was a particular concern. The duration of the apprenticeship – whereby young workers could be earning less than their chosen comparators for long periods of time – was seen as a particularly important factor in any assessment made by apprentices about the value of their training and the opportunity costs involved.

*'Money. They see their friends working in call centres and want some of that. They can't wait the apprenticeship out.'*

*'[It] tends to be more to do with the person than [the] job ... although [it] matters what their friends are earning in Tesco or Burger King ... four years is a long time to invest in a career.'*

It was interesting to note that many who stated that pay was *not* a factor in non-completion referred to their pay rates being competitive within the local labour market.

The (financial) support of family and the ability of the apprentice to look to longer-term benefits rather than short-term costs were seen to be important factors preventing non-completion.

## 4.7 Implications for apprentice training

The widespread view that all apprentice time spent in the workplace constituted training requires further investigation. Coupled with some evidence of employer dissatisfaction with external training provision, it raises questions about the structure, quality and consistency of apprentices' experience of training and how employers deliver on-the-job training. Unstructured and/or narrowly focussed on-the-job training could inhibit both immediate and long-term learning.

There are, therefore, implications from this research for training support and interventions. Grimshaw et al. (2008) point to this as one of a number of areas where institutional change may be desirable to help tackle broader problems of low pay. Employer concerns about the availability and specificity of training to meet organisational needs reflects typical concerns which have long been noted in

economic literature on human capital. In the particular context of the National Minimum Wage and training for young people, the findings in this report agree with those previously reported by Rainbird et al. (2002) and Lewis et al. (2008). Lewis et al. found that most large retailers were reluctant to offer apprenticeships because the qualification was inflexible and too general to meet their needs, and where apprentices were employed, organisations made little extra investment in on-the-job training in addition to that provided through LSC subsidies. This reinforces the findings reported by Rainbird et al. (2002) who pointed to the importance of having: *'a training infrastructure in place which employers perceive as being relevant to their needs'*.

Overall, the findings point to the likelihood that employers in some sectors may need greater support in devising appropriate training programmes for the apprentices in their businesses. Therefore, brokerage of appropriate training, along with better information, advice and guidance for employers on sourcing high quality training provision is desirable. In addition, employers may need support in reaching a balance between fulfilling the needs of apprentices to acquire the general knowledge and skills of the occupation versus the organisation's firm-specific skills needs. The proposals put forward by the Department of Innovation, Universities and Skills (DIUS, 2008) – to remove some of the risk SMEs associate with offering apprenticeships through incentives provided under the Train to Gain scheme, and to provide pooled training to tackle structural or organisational difficulties – may be helpful in this respect.

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## 5 Apprentices and the Organisation

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### 5.1 Introduction

This chapter outlines the views of employers interviewed on the benefits apprentices brought to their organisations and the barriers or reasons for not having apprentices. Future recruitment plans are also discussed.

### 5.2 Perceived benefits

Employers interviewed emphasised a number of potential benefits to an organisation from operating apprenticeships. These are discussed below.

#### **High standards and customised training**

Many referred to high standards which resulted from the prolonged and systematic training their apprentices received. They also valued the opportunity to customise training to the specific standards of a particular employer, to instil health and safety awareness, and to build softer customer-care skills and an orientation towards teamwork. For example, in hairdressing, an employer thought *'the ethos of the salon gets ingrained and they think properly about customer care'*. A vital aspect of this was that young apprentices joined the organisation before bad habits were acquired, possibly from other employers.

*'We can train to our own standards.'*

*'They are trained up from the start with [our] specifications.'*

*'The ones who come from other salons are resistant to change.'*

### Regular skill injections

Apprenticeships were also seen as vital to maintaining the skills-base in organisations with the opportunity to continually up-skill employees. The quality of training was also seen to be 'guaranteed'.

### Invest to reap loyalty

The opportunity to build relationships with apprentices over a long period of time was cited as a positive inspiration for employers to offer apprenticeship programmes. Some employers stated that they were training their future skilled workers and managers.

*'A workforce we know and have trained from the start.'*

*'The vast majority keep working for the company.'*

*'They also tend to stay, which is good for business.'*

*'All past apprentices have stayed on ... so it helps with retention.'*

Employers valued the prospect of being able to 'grow the team organically', thus engendering motivation and commitment. Some employers expressed this as an opportunity to influence organisational culture and 'give a sense of community' by employing apprentices who would remain within the organisation as skilled labourers. The 'community' created at work was believed to have a positive effect on the retention of staff: *'If we've invested time and money in them then they feel they are more supported'*.

*'Apprentices are more likely to be loyal.'*

*'It provides a pool of loyal workers.'*

### Cheaper source of labour

Some employers also specifically identified apprenticeship exemptions from full NMW rates as financially helpful because the opportunity to pay below NMW helped to reduce their wage bill. *'We'd be bankrupt without them!'* was a fairly typical response within the hairdressing industry, for example. The benefit of being able to recruit staff at a pay rate below NMW was directly linked to the survival of the company by some employers in this sector.

*'[We] can take on staff without paying NMW ... to see how good they are.'*

Within hospitality, in particular, employers in the sample referred to the difficulty of asking skilled staff to undertake menial tasks and the importance of apprentices

in carrying out this work during the course of their training. One employer said that they would 'run out' of labour were it not for apprentices.

### **Brings in younger staff**

Apprenticeships were also identified as being helpful in terms of the recruitment process. Several employers identified apprenticeships as helping with the recruitment of younger staff in particular. In hospitality, for example, one employer found it very difficult to recruit skilled chefs and so turned to the recruitment and training of apprentices.

*'[We] always need people working up through the ranks.'*

The benefits to current staff of coaching and teaching young workers were also mentioned: *'It's nice to have young people around ... teaching helps to grow our own staff'*.

*'[Apprentices] bring interest and enthusiasm ... they can be developed into excellent employees.'*

### **Practical skills enhance later career**

The view of apprenticeships as representing a mutually beneficial partnership was often expressed by employers. Some employers stated that apprenticeships were valuable because *'you get a lot of work for not-a-lot of money'* and because *'it would be difficult to assign [certain tasks] to more qualified staff'*. However, there was a general sense that this was balanced by the opportunity afforded to employees to develop their skills. Employers in both childcare and hairdressing said the career prospects of their apprentices would be enhanced through the development of practical skills and in particular, direct contact with their clients.

*'College courses are very theoretical ... [results] don't necessarily indicate capability to do the job.'*

## **5.3 Perceived barriers**

### **5.3.1 Employers of apprentices**

Several employers interviewed did not think there were any barriers to employing apprentices and that any problems experienced related to the recruitment of younger workers in a more general sense. One employer stated: *'Commitment, maturity ... those kinds of general difficulties are sometimes encountered'*. Several said *'no obstacles', 'no barriers'* that they could think of, or simply had *'no particular thoughts'* on this issue.

Concerns about the process of employing apprentices, where expressed, were split between recruitment concerns, funding concerns, bureaucratic concerns, the cost-benefit ratio of employing apprentices, and concerns about the structure of exemptions from NMW. These differing concerns were often connected, with recruitment, the value of apprenticeships, and the structure of the exemptions from NMW often closely related.

### Quality

A small number of those interviewed with apprentices said that they would like to have more apprentices but had been dissatisfied with the quality of recent potential recruits. A large social care employer blamed competition with the educational sector for high quality candidates – *'the schools want sixth-formers'* – and poor careers advice for a poor promotion of apprenticeships overall.

Several employers in the sample found it difficult to attract young staff to low-paid jobs when they may have the opportunity to earn NMW levels elsewhere.

*'There is a lack of genuine young people wanting to come in.'*

Some industries found recruitment difficult, particularly the retail motor-trade, which involved hard physical work. Employers believed this kind of work was no longer the normal aspiration for younger workers.

### Risk

The risk factor of taking on apprentices was also mentioned by many. Employers felt that the commitment to recruiting younger workers who may be unsuitable, unskilled, lack maturity or the capacity to develop the necessary aptitudes represented a big risk. If apprentices were *'not up to scratch'*, some employers felt that there was little flexibility in the options available and that the duration of apprenticeships meant that this could be a difficult issue to manage. Not being able to *'weed-out'* the less skilled made apprenticeships less attractive to some employers.

For a small number of employers in the sample, risk was seen to be *reduced* by employing staff in an apprentice capacity. One employer, in hospitality, reflected on the recruitment of one candidate: *'She could have proved to be absolutely useless ... we might not have taken the chance on her'*. Another, in childcare, said that with apprenticeships *'you can take a risk'* and that he has *'been proved wrong ... apprentices can prove to be fantastic'*. Both of these employers were explicit about the relationship between risk, cost and the current NMW exemptions.

### **Costs and productivity**

The issue of costs and productivity were closely related. The perceived value of an apprentice was an important factor in justifying, or complaining about, costs.

Employers sometimes felt that the costs incurred through apprenticeships represented a significant barrier to taking on apprentices. Opinions on this issue varied. Some employers felt that apprentices were not productive for either the initial portion or the entirety of their training. One employer said apprentices could 'add value' after six months; another mentioned two years. There was an important sectoral dimension to this with employers in hairdressing particularly believing that there was a long delay before an apprentice added value to the company.

A number of employers, in contrast, felt that *'an apprentice does a job whilst they are learning'* and that they don't represent a particular burden or 'expense' to an organisation because of this.

### **Age preferences**

Some employers interviewed felt that there were barriers to employing older apprentices, especially those over the age of 21. This was particularly attributed to the way exemptions were structured as employers sometimes felt they could not afford to pay an apprentice at the level of NMW whilst they were still in training. Some employers even stated they were unlikely to take on any apprentices over the age of 16 because there was not the same opportunity to exempt the apprentices from the NMW for the duration of the apprenticeship.

The recruitment strategies of several employers, particularly in childcare and hairdressing, relied on taking on apprentices at 16. These employers wanted the certainty of funding for the duration of the apprenticeship. Given that apprenticeships were considered to contain an element of risk because of some of the problems encountered in recruiting younger workers, some employers felt that this strategy was justified. As one employer indicated, *'if we have to pay the NMW in the second year when they also spend a day at college we may as well recruit someone to work full-time [who] will add more value to the business'*.

### **Bureaucratic burden**

The bureaucracy involved in using apprenticeships was also identified by some employers as being a deterrent. Employers felt that there was not enough support available to help with the administration of apprenticeships. One employer of many apprentices felt that it was difficult to get an external person in to organise the NVQ assessments. A further large employer found the processes particularly cumbersome and said there should be different processes available to large

employers who, with larger numbers of apprentices, have a vested interest in 'doing a good job'.

*'Paperwork and processes. Reporting is a nightmare.'*

*'You have to go through so many hoops.'*

### **Organisational capacity**

Some employers felt that organisation size was a barrier to employing apprentices and particularly to employing greater numbers. It was noted that employers need to have *'enough staff to dedicate time and resources to apprentices'*. Limited physical space was a further barrier raised.

### **5.3.2 Employers without apprentices**

Those employers in the sample who did not currently employ apprentices spoke about a variety of barriers.

#### **Work/industry-specific factors**

The nature of the work was raised. An employer in the care sector said the work was too sensitive and the skills too specialised to allow apprentices to be employed. A further care sector employer spoke of irregular hours and particularly early and late shifts which young apprentices could not undertake.

Some industries, for example leisure and retail where gambling and large amounts of money are dealt with, were not deemed suitable for young employees or apprentices. These employers referred to insurance or regulatory restrictions.

Another retail employer interviewed relies on agency workers and short-term contracts and again, it was felt inappropriate to employ apprentices. A hospitality employer similarly spoke of a reliance on agency workers to meet irregular business need. This employer stated that their current structure works well and this would not be the case with apprentices.

#### **Other**

Some employers did not like formal or prescribed aspects of apprenticeships. One interviewee said they regularly send staff outside the organisation for accredited training but they pay above the NMW and have no need for either apprentices or the exemptions.

One employer, who had employed apprentices in the past, found that it was difficult to design an effective training programme and had ceased employing apprentices: *'On- and off-the-job training is difficult; they don't necessarily link-up that*

*well*'. Another could not find an apprenticeship programme directly relevant to the business.

Other reasons given for not employing apprentices included organisation/ workplace size; the *'time and effort'*; the lack of interest/applicants (*'none have applied'*); not having *'the resources or the range of tasks'*; and the view that apprenticeships are *'too basic'*.

Some employers stated that there were not enough general incentives available to them to employ apprentices in their organisations but did not cite pay levels as a specific issue or barrier.

## 5.4 Future recruitment

Of all the employers interviewed who used apprenticeships, 17 indicated that they intended to recruit the same number of apprentices in the future. Five employers stated they would recruit more apprentices and four that they would recruit fewer apprentices.

Most employers said they would employ around the same number of apprentices in the future because their capacity to provide apprenticeships was limited to current levels of recruitment. In industries such as hairdressing and childcare, some employers referred to high turnover necessitating the recruitment of around the same number of apprentices to maintain the skills-base of the organisation.

Employers who planned to recruit fewer apprentices in the future tended to do so for one of two reasons. The first was due to capacity being reached without any staff turnover, in which case there was not the physical space or available resources to offer more apprenticeships. One employer in hairdressing said that a ratio of income-earning to non-income earning employees had to be maintained.

The second issue that led to employers modifying their recruitment strategy for apprentices was due to bad experiences in the past. Some employers, for instance, felt that because of their experiences with poor quality recruits they would no longer employ apprentices. One employer stated that they would prefer to have the flexibility afforded by non-apprenticeship employment and pay above NMW than risk taking on apprentices who did not perform adequately for two years.

Of the five employers that intended to recruit more apprentices in the future, this was generally due to expansion, in some cases in response to the government drive to increase apprenticeship numbers. Employers that were planning to expand apprenticeship recruitment tended to employ larger numbers of apprentices; those employers that had one or two apprentices were more likely to report that they intend to maintain current numbers.

## 5.5 Implications for developing demand for apprentices

The evidence collected shows that policy intervention with respect to apprenticeship pay is only one strand of activity needed to support employers in their use of apprenticeships, if the Government is to achieve its goals of expanding employer demand for young employees in these roles (DIUS, 2008). While economic theory predicts that increasing pay rates encourages employers to make more productive use of workers' skills, managerial strategies for labour use are interdependent with broader decisions about product market strategy and the production process. The relative contributions of different policy interventions to shaping employers' use of (youth) labour are now discussed.

The recent announcement of an increase in apprenticeship income entitlement in England to £95 per week in August 2009 may help to address those apprentice recruitment difficulties which stem from unattractive pay levels. However, improved careers advice and more realistic job previews might also help ensure a better match between prospective apprentice and employer expectations. For example, research into employment in the childcare sector has shown that a mixture of vague desires to work with children, coupled with a lack of appreciation of the demanding nature of the job and, for some young people, drifting into work in the sector with no clear career preference, can create an unfortunate combination of factors which contribute to a high level of churn in the industry (Smith et al., 2007).

It is worth noting here that, while DIUS (2008) argues that expanding apprenticeships is currently constrained by employer demand, there is some degree of sectoral variation. In the childcare sector, for example, increasing demands for affordable childcare (likely to be stimulated through revisions to regulations on eligibility for unemployment benefit) as well as broader social pressures, suggests that action to address supply side issues will also need to be considered.

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## 6 Exemptions

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### 6.1 Introduction

All 40 employers interviewed – irrespective of whether they currently employ apprentices or not – were asked about their views on the current apprentice exemptions. They were also asked to offer any suggestions or recommendations for improvement.

Five scenarios were then presented and opinions gathered on the likely impact of these different scenarios in their organisations, based on their experiences. The five scenarios were: 1) the current exemption is maintained; 2) existing contractual arrangements are given a statutory basis; 3) variations on the exemption are introduced, eg for some ages, for a specific length of time or by apprenticeship level; 4) a separate ‘Minimum Wage’ is set for apprentices; and 5) the age-related National Minimum Wage is applied to all apprentices of any age and the exemptions removed completely.

The views of employers on exemptions and on these five scenarios are presented in the sections which follow.

### 6.2 Value of exemptions

Employers were asked for their views on the current NMW exemptions for apprentices and for any suggestions for improvement. This question was asked before any scenarios were presented. Many employers independently raised issues or made recommendations covered by the scenarios later discussed. Those employers without apprentices were generally less enthusiastic or sceptical about the exemptions.

## Support

Quite a number of employers, particularly with apprentices, praised the NMW exemptions with comments ranging from *'sensible'* to *'excellent'*. Employers generally referred to them as a useful incentive for employing young and new apprentices. The productivity argument was critical here.

*'[You] get nothing from them in the early years. It's all outgoings, no income.'*

The impact of wage costs on the overall bill and the role that the exemptions play in reducing this was a further issue raised by a number of employers.

*'It would be difficult to manage the wage bill if apprentices had to be paid NMW.'*

*'Good idea. Most employers will still pay reasonable rates.'*

Related to both the productivity and cost arguments was the way in which exemptions helped employers to reduce the risks of recruiting new, young, unskilled employees.

*'Excellent. You get a lot of apprentices who are not suitable, work-shy, bad attitude ... so with exemptions there is not the same financial risk.'*

A small number of employers – all employing apprentices – suggested that the current regime should be *'encouraged and expanded'*. One said that *'all apprentices should be government funded'*. Another said the exemptions are *'okay as they stand'* but *'do not go far enough'* and there should be *'more flexibility for the employer'*.

A number of employers with apprentices spoke early, and regularly, in their interviews of the dangers and *'severe implications'* of removing exemptions.

## Support with reservations

Some employers offered support for NMW exemptions for apprentices, or spoke of their value but suggested some limitations were necessary. Employers in the sample without apprentices were more likely to offer qualified support but given the numbers interviewed many more comments in this section are from employers with apprentices.

A number of employers stated they were in favour of the exemptions so long as they are properly used. One said they *'have their place'* but can be *'open to abuse'*. Another said we *'should be sympathetic to apprentices with low pay'*. A further employer said NMW exemptions should operate as a minimum and not a ceiling and should not restrict those who want to pay more. In fact, the importance of fair treatment and the need for an adequate living wage was a theme raised throughout by employers with and without apprentices.

Employers in the interviews showed some (sectoral) preferences for younger or older apprentices and a number were concerned about possible age discrimination. It was felt that the structure of exemptions aggravated this. One employer stated that it is *'very difficult not to look as though [you're] discriminating by age because younger apprentices are cheaper'*. This employer asked for a longer exemption for older workers.

Another employer spoke about the impact on the rest of the workforce as older but less skilled employees come onto the NMW rates and differentials are squeezed or removed.

*'Nineteen in some cases is too young to start them in with NMW ... it creates inequality within the same class of apprentices ... [it's] difficult to justify that.'*

A final suggestion was to time-limit the exemptions across all age groups based on a positive appraisal of apprentice value.

One employer said that it *'needs to be attractive'* for employers to take on apprentices but that *'they are productive pretty quickly'* and should be *'paid fairly'*. Another noted that *'apprentices can add value after six months'* and so should be paid *'properly'* without delay. This employer was strongly in favour of apprenticeships and critical of the current system which was said to be *'open to manipulation by unscrupulous employers'*.

### **Not relevant/no opinion**

Not all employers had an opinion on the exemptions. Many pay above the NMW and said the exemptions were irrelevant: one prefers to *'pay their worth'* which is more the minimum; another said that *'paying people equally for doing the same job [was] important'* whether *'officially an apprentice or not'*.

### **Object**

A number of employers, again more likely not to employ apprentices, objected to the NMW exemptions for apprentices. The importance of a decent wage and a living wage was mentioned.

One employer of apprentices said that they do not make use of exemptions as it is not fair to apprentices.

*'Apprentices are asked to do a great deal. Why should they be paid such a pittance for it?'*

### 6.3 Current exemption maintained

The current exemptions were seen to be 'sensible' by many employers: *'Apprentices are learning a trade and will get something from it'*. There was general agreement amongst those who employ apprentices that this scenario would be *'fine'*, *'fine as it is'*, *'fine as they are'*. A few said that they 'strongly agree' with this scenario and a number who pay over the NMW felt the current system was irrelevant or unfair.

Some employers emphasised that the current position should be seen as the minimum in the event of any change taking place with comments such as *'can't do anything less'*; *'would be a disaster'*; *'couldn't take on apprentices [otherwise]'* all reflecting a fear of lower subsidies. This was particularly evident in some sectors, for example childcare, where the exemptions were not seen to be generous enough and difficulties in recruitment were blamed by one employer on the high level of pay still required.

A small number of employers, typically those who currently pay over the NMW or said that they did not use the apprentice exemptions, felt that this proposition was irrelevant. They stated that their apprentices knew what peers and colleagues get paid and that this sets the market expectation.

*'[It's] fine if you can get away with it ... it's market forces rather than what the company spends.'*

*'[If I] pay an apprentice chef at a lower rate than waiters and bar staff it would cause problems.'*

Some employers with apprentices felt that the current exemptions were particularly unfair. One who pays above the NMW said it is *'unfair to pay apprentices a reduced rate. It is not fair to pay two staff differing rates for doing the same thing'*. Another said they *'couldn't imagine paying less ... NMW wage is low enough as it is'* adding that if employees got less than that they could not live independently. Another said the current regime is acceptable *'as long as apprentices are really being trained properly ... the system can be abused'*.

Those who did not employ apprentices did not generally express strong opinions on this option. A small number recognised the importance of encouraging apprentices – especially in some sectors – through the use of exemptions: *'That's fair enough ... they're not trained, they're learning'*. One objected to exemptions on the grounds that these employees *'do the work everyone else does'* and so should be paid the same: *'Everyone should be entitled to the NMW'*. A further employer said that exemptions from the NMW are *'unreasonable'* because the NMW is *'not a particularly high rate'* and employees *'need some reward for working'*.

## 6.4 Statutory basis given to existing contractual arrangements

Interviewees were generally split on this scenario. Some were very positive and others very negative.

There were many comments in favour and they included:

*'Why not?'*

*'The ideal is being paid a real wage ... they need to lead their lives and pay costs.'*

*'It should be [this] ... otherwise people are exploited.'*

*'No reason why apprentices are any different.'*

*'Cost of living is important.'*

*'[I] think it makes sense.'*

*'Absolutely definitely should be a statutory minimum.'*

These comments crossed size and sector and were made by those with and without apprentices – notably a high paying social care employer with a large number of apprentices and a small hairdressing salon in Wales with a few apprentices. In general, where there was agreement on the establishment of a statutory basis it was not for the pay rates that applied at the time of interview.

*'There should be a statutory minimum but £80 sounds a bit low.'*

*'£80 is far too low.'*

A number of fears were, however, expressed by others. These included the importance of appreciating regional differences and the danger of comparing pay and setting uniform apprentice rates across very different locations. Employers warned of the impact this might also have on dragging down pay: *'[it] should not undermine higher pay'*. Some suggested a specific regional rate or an exception for London. One London employer said a low rate would be unattractive and that *'travel costs would take up half'*; an employer in Wales said that his business could not afford 'London rates'.

A difference in training costs by sector was also mentioned as an important factor which this scenario might ignore: *'There may be cases where training or materials or resources are more costly for some employers than others .... So there could be a case for variability'*.

Concerns were also expressed that applying a statutory basis for the existing contractual arrangements would start an uncontrollable process of change and

escalation: *'[it] will run away', 'then [it] will keep going up', 'then [there will be] no control'*. A few spoke of managerial prerogative being undermined, the need for employers to assess and determine employee value and the importance of employer discretion: *'It should be up to individual employers'*. This was a particular fear for employers who did not approve of the NMW or relied on low pay.

Some employers spoke of positive advantages. One referred to a *'balancing of expectations'* – a better and clearer bargain between employee and employer. Another said that this would *'open up the pool ... make better people available who might be going to others who pay a bit under the table to avoid tax and NI'*.

This option, of establishing a statutory basis for the existing contractual arrangements, was favoured by those who did not employ apprentices. Reasons given included: *'They should get money for the work they put in'* and *'There should be a [statutory] minimum to be fair'*.

## 6.5 Variations on the exemption are introduced

Employers were asked about the likely impact of the introduction of pay variations for different ages, for a specific length of time or by apprenticeship level. This section presents views on the issues raised in relation to these specific scenarios and also comments made on age, length of time and level made in relation to the other scenarios.

Again, not all employers had an opinion to express. A number also preferred to give just general comment on the introduction of variations.

*'I don't think there should be any variations ... everyone deserves to be paid fairly and equally if they are doing the same job.'*

*'The ideal is a reasonable salary for all.'*

### 6.5.1 Age

Age was not a popular variation amongst those who employed apprentices. It was felt to be too blunt and inappropriate a distinction and many gave an outright 'no', 'irrelevant' or 'inappropriate' to this scenario.

Many employers felt that the age distinction within the current regime, 'the cut-off at 22' was not particularly helpful and potentially discriminatory. Some stated they wished to take on apprentices and provide them with three full years training irrespective of their age on entry. These employers objected to their ability to provide a full three-year apprenticeship to those aged 16–19 but not for older employees changing career or returning to the labour market.

*'It should be possible for someone in their 30s who wants to change their career to do so.'*

Costs, were of course, an important issue raised but also paying NMW rates to older workers with the same skills as younger workers or less skills than some apprentices was deemed to be unfair and to generate discontent.

Employers in some sectors expressed a particular interest in employing older workers *'the 19 plus ones'* as apprentices. In childcare, for example, the age and maturity of the carer determined their ability to perform essential tasks (some, employers emphasised, by law). The customer service skills of older workers, and the ability to entrust them with responsibilities, was also mentioned by some employers in hairdressing.

However, other employers felt that exemptions based on age were of limited impact. One employer in childcare noted that *'the competition for 19 year olds is intense ... so [we] have to pay the NMW anyway ... [exemptions are] really only useful for 17 year olds'*.

### 6.5.2 Length of time

Many problems were also voiced about varying apprenticeship pay by the length of time the apprentice had been undertaking the qualification. Employers reported that apprentices arrived with very different skill levels and personal attributes and so took shorter or longer times to complete their apprenticeships: *'Some need more than 18 months'*.

Expectations of the duration required to become a productive worker were a key factor leading to the recruitment of the youngest possible workers so the employer could benefit from lower pay rates. Recruiting 16 year olds with *'three years training potential'* was a priority of many employers within the current exemptions regime.

Where there was agreement about the *'length of time'* factor it was generally around the ability of apprentices to contribute towards the profitability of the organisation and provide value: *'The first years don't earn money, they're just watching ... second years, if properly trained, are bringing in income'*. The point at which this was perceived varied greatly by sector, and duration was often coupled with apprentice level as an indicator of employee competence and value. In recognition, some hairdressers were promoting some apprentices onto general pay rates early and in the retail sector an example was given of allowing apprentices in their third and final years of apprenticeship to keep any additional income generated through their efficient performance (for example, work carried out in three hours but billed at four hours generated an extra hour of pay for the apprentice).

### 6.5.3 Level of apprenticeship qualification

Of the three *variations* offered this was the most favoured, although not the preferred scenario overall. The majority chose apprenticeship level over length of time or age as the *'best'*, *'most appropriate'* or *'most relevant'*.

Employers of all sizes and across all sectors who expressed a view felt that it was appropriate to take ability into account and that progress through the apprenticeship qualification would not only be one indication of this but might actually promote improvement and commitment. Pay based on level achieved would, one employer suggested, *'encourage apprentices to work harder ... [provide] mutual payback'*.

Many linked level achieved with length of time served and often level was used as a proxy for performance or value. There was no consensus on the treatment of level in relation to the exemptions. If a variation was to be applied several employers called for apprentices to be *'exempt until complete'* stressing that apprentices are *'not productive while in training'*. Several said that apprenticeship wages were not appropriate for level 3 employees.

## 6.6 Separate NMW set for apprentices

Without knowing the actual rate proposed most employers chose not to express a strong opinion or commit to this option. Comments included views that it:

*'Could be useful.'*

*'Depends on level.'*

*'Depends on rate.'*

*'[The] actual rates do matter.'*

*'Lovely idea in theory.'*

A small number of employers with apprentices were quite positive and felt that the exploitation of apprentices would be reduced:

*'Sounds like a fair option.'*

*'People know where they stand.'*

*'Might attract people.'*

*'That would help clarify things ... a rule instead of exemptions.'*

However, a small number were also quite negative referring to this scenario as a *'burden'* which would *'remove control'* and not attract apprentices. One employer

said a separate NMW rate for apprentices would be *'appalling ... would mean not employing any apprentices'*.

Some employers wanted to attach certain conditions to any separate NMW rate in order to make this scenario acceptable to them. Suggestions included:

- Not impact until at least NVQ2:

*'Once they reach this level they should be able to earn their employer NMW or in and around that.'*

- Not impact before age 19:

*'I think 19 is too young to start them in with the NMW ... and all that does is create inequality with people within the same class.'*

- Not be based on time but achievement:

*'If you have someone messing about earning the NMW isn't right ... it shouldn't be until they've reached a minimum achievement benchmark.'*

*'It gives apprentices something to strive for then.'*

- Allow for variation within organisations, eg to avoid impact on differentials:

*'Within organisations it has to be proportionate to the next level up, to what we pay craft people.'*

By contrast, this option, without conditions, was clearly favoured by those who did not employ apprentices. These employers referred to the importance of making sure that apprentices are *'not exploited'*, *'know where they stand legally'* and because *'most employers will pay the minimum they will pay people'*.

## 6.7 Exemptions removed completely and age-related NMW applied to all apprentices of any age

The strongest opinions expressed by some of those who employ apprentices were in relation to this option.

Expense – particularly in relation to perceptions of value – was the key complaint. It would be, one employer said, *'a grave mistake ... you have these other costs ... to pay the NMW for them to go to college it's not right'*. Another said that *'qualified staff are on NMW ... [we] can barely afford that'*. A further employer, in childcare, said he would *'cease [the] apprenticeship scheme'* and that it is a *'non-starter ... dead as far as I'm concerned. I'm not going to be saddled with somebody who is not up to it'*. A hospitality employer emphasised *'what [we] have at the moment is the bare minimum ... change that and you'd lose apprentices left, right and centre ... the number of apprentices would*

*go through the floor*'. Another hospitality employer argued that there would be no incentive in this scenario for employers to recruit apprentices which would be a particular problem in some trades where he felt apprentices were essential. Comments such as these came from a small number of employers in all sectors but particularly childcare, hospitality and hairdressing, and were least prevalent amongst employers in larger and medium size establishments.

A small number of other concerns were raised. One employer, in hairdressing, spoke of the potential for age discrimination in the absence of NMW exemptions and said that he would then always favour older employees and that 16–18 year olds would find employment difficult to find: *'I'll always go for the older person, not to discriminate but to go for their maturity*'. A retail employer said that employers would be *'forced to recruit young workers ... choose the cheapest not the best*'.

Some employers with apprentices expressed support saying *'this is what should happen*' and *'this is how it should be*'. In those where rates were currently at, near or above NMW level, for particular age groups this scenario was welcomed.

*'We don't use apprentices to get around the NMW.'*

*'We'd be out of pocket but we still need apprentices.'*

*'It would stop abuse in some sectors.'*

Many of these employers spoke of the importance of employees receiving a 'living wage' – a wage sufficient for independent living and the costs associated with that.

*'The ideal is apprentices are paid a real wage for the work they do ... they've got a life to lead and costs to pay.'*

*'You want to be paying them fairly for what they do ... they've got to live and eat.'*

Employers who do not employ apprentices varied in their answer to this scenario. Overall, separate apprentice pay rates were seen to motivate and encourage learning and it was believed to be fair, by a number, that apprentices should earn less than others in the short-term, for example six months, while training and then benefit from their skills once their apprenticeship is complete.

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## 7 Conclusion

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This study reports only the outcomes from a small, qualitative and unrepresentative research project with employers. Data was gathered on management attitudes towards apprentice employment from 28 small, medium and large establishments *where apprentices were employed* and a further 12 employers *where apprentices were not employed*. The findings, however, show agreement with a number of issues which have been raised in the wider literature on employers' use of apprenticeships, their attitudes to the training and employment of young people, and the interactions with pay.

### 7.1 Employment of apprentices

Among the 28 employers with apprentices, 222 apprentices in total were employed. Of those 28 employers, 20 were small companies, four were medium sized and four were large. In total, 15 of the 28 employers interviewed had only one or two apprentices.

In most organisations, there was clarity over the status of young people employed, but one isolated example of an 'unwaged apprentice', whose employment status was unclear, raises some concern over the potential for exploitation of young workers through inappropriate use of the term 'apprentice'.

### 7.2 Apprentice pay

As in previous studies, apprentice pay rates varied widely according to how much training the apprentice had completed and between and within sectors.

Apprentice hours also varied widely – the norm was between 35 and 40 hours a week. Overtime hours were reported to be common in childcare to cover staff absence. This was also the most common form of additional pay, usually at double time or time and a half; outside the childcare sector, however, many employers said that they rarely made use of overtime.

Bonus payments were the second most common form of additional payment. In some cases these bonuses were intended as a direct incentive for apprentices, eg when offered on completion of relevant qualifications; in other cases they were establishment-wide and were paid to all staff including apprentices, eg a Christmas bonus.

Standard sectoral patterns in the use of tips and benefits in kind were also found. Tips were paid to apprentices in hairdressing and hospitality and discounted childcare was available to apprentices in the childcare sector, free haircuts were offered to hairdressing apprentices and free meals were offered in hospitality.

Pay rates for apprentices varied widely, with hairdressing and childcare paying the lowest rates. There is evidence that, in some sectors, apprentices start to achieve pay parity later on in the apprenticeship period, with some apprentices gaining equal rates with experienced staff in the later stages. This tends to be at the point at which employers judge young people as having become sufficiently productive workers, although in some sectors pay agreements specify the amounts for first, second and third year apprentices.

### **7.3 Apprenticeship training**

Some employer beliefs that all apprentice time spent in the workplace constituted training raises concern about structure, quality and consistency of apprentices' experience of training and how employers deliver on-the-job training. Employers also voiced some dissatisfaction with external training provision. Given that unstructured and/or narrowly focussed on-the-job training could inhibit both immediate and long-term learning, it may be worthy of further investigation. Government proposals for support in this area are discussed earlier in this report.

### **7.4 Benefits and barriers to employer use of apprenticeships**

A number of employers viewed recruitment of apprentices as an integral part of the organic growth of their organisation, using language about instilling broader occupational conventions and socialisation into the norms of full-time work and workplace culture. This is indicative of the expansive workplace learning environments advocated by Fuller and Unwin (2006, 2008). This approach to the use of apprentices comes closest to the kind of aspirations for their use which are prominent in policy literature.

For other employers, however, using apprentices was appealing because of their utility as a form of compliant, cheap labour. Approaches to the use of apprentices in the hairdressing sector are of particular concern. Here, there appear to be a

combination of factors at play which give cause for concern about job quality and the apprenticeship experience provided. Some of the evidence giving rise to these concerns includes high turnover, employer dissatisfaction with training provision, lack of positive choice of hairdressing as a career among young people and unrealistic expectations about the occupation, and the prevalence of some of the lowest apprentice pay rates in the sector.

Demand for apprentices appears to be fairly constant, notwithstanding some concerns about the quality of young people available, and the difficulties employers reported in employing older young workers as apprentices when exemption from the National Minimum Wage did not cover the duration of their apprenticeship.

## **7.5 Non-completion**

Stakeholder views reported by the LPC (2008) raised concerns about the completion rates for apprenticeships, linking these outcomes to low minimum pay rates as well as perceptions of poor quality of training. This report gives some support for these concerns. Turning first to apprenticeship completion rates, less than one-third of the sample reported a perfect completion record, with highly variable rates reported by other organisations. Across all sectors, employers were more likely to ascribe non-completion to unrealistic expectations of young people entering apprenticeships. There were some suggestions that levels of basic skills and aptitude required for hairdressing and childcare were particularly underestimated and that this was a factor in non-completion. Also, although the views of apprentices on the quality of training received could not be captured in this research, employer dissatisfaction with quality of external training provision was evident in childcare, hairdressing and social care sectors.

While some employers recognised low pay as an issue in undertaking or completing apprenticeships this was mainly restricted to retail and to employers in urban labour markets. It therefore seems likely that a combination of factors inhibits optimal use of apprenticeships and potentially contributes to non-completion, rather than any one individual reason. Clearly, it would be desirable to obtain the views of completing and non-completing apprentices here to complement managerial views.

## **7.6 Exemptions**

Use of exemptions from the National Minimum Wage for apprenticeship pay was widespread and important to a number of employers, some of whom believed that exemptions should be extended.

The mixed views of interviewees on possible changes to apprenticeship exemptions from the National Minimum Wage reflect the diversity of experiences and perceptions in different sectors. It is therefore likely that changes in NMW policy would impact differentially on employers of different sizes and in different sectors. In this respect the findings echo those of IDS (2007) in illustrating a divergence in attitudes to different pay rates for young people.

The findings of the study showed greater relative support for statutory minimum wage provision from employers who did not currently employ apprentices. Support for changes to exemptions across the sample as a whole was limited to linking pay to progression through the apprenticeship with little support for age-related pay, and employers were cautious about the introduction of a separate NMW for apprentices, with views contingent upon the rate set. Some employers appear to be especially and worryingly dependent on the use of low wages as a major part of their business strategy, notably in hairdressing. A number were explicit in their need for young apprentices in order to ensure exemption from NMW coverage until the recruit had completed their apprenticeship training.

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## Appendix 1: Methodology

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### 8.1 Sampling frame

The sample was derived from the GfK NOP dataset of employers who completed the LPC 2008 Survey of Employers postal questionnaire and consented to being contacted by IES for this follow-up survey on apprentices and apprentice exemptions.

The GfK NOP dataset consisted of 2,403 employers. Of these, 435 provided separate written consent to participate in the follow-up research with IES.

The sampling frame was then adjusted to consist of six sectors: childcare, hairdressing, hospitality, leisure, retail, and social care, selected as those low paying sectors which have the largest numbers of apprentices.

When the sample was limited to these groups it consisted of 328 employers. The available sample was based on those employers who were willing to be interviewed, and on self-reported data during interview, and these limitations should be noted.

### 8.2 Sampling strategy

Our original strategy was to draw 75 per cent of the survey sample from the group of employers stating that they employ apprentices. We aimed to divide the sample evenly between retail, hospitality, social care, childcare, hairdressing, and leisure and within each sector to select a mixture of firms from different size bands (following the distribution of firms in the UK) and locations. With such a small sample group, the aim was to provide a good spread of opinions and practices with regard to sector and establishment size by number of employees (small: 1–49, medium: 50–249, large: 250+).

A further 25 per cent was to be drawn from the segment of the sample stating they do not employ apprentices. From this group, we proposed, in particular, to select

employers with a range of differing views on whether the current exemption regime affects their employment of apprentices, as reported in the GfK NOP survey.

A range of geographical areas were also to be targeted, as possible.

Of the 328 employers identified as belonging to a relevant industry and that had provided written consent to take part in the further research, 64 of them used apprenticeship programmes and currently employed apprentices. The breakdown of these 64 employers by sector and size can be seen in Table A1.1.

**Table A1.1: Total potential sample of employers from GfK NOP dataset**

Sector	Size			Total
	Small	Medium	Large	
Childcare	10	2	0	12
Hairdressing	9	0	0	9
Hospitality	3	5	0	8
Leisure, travel and sport	1	2	0	3
Retail incl. rental	8	5	4	17
Social care	10	3	2	15
<b>Total</b>	<b>41</b>	<b>17</b>	<b>6</b>	<b>64</b>

*Source: IES, 2009*

## 8.3 Achieved sample

### 8.3.1 Sectors

In total, eight employers were interviewed in the childcare, hairdressing and retail sectors, with six interviewed in hospitality and social care and four interviewed in the leisure sector.

### 8.3.2 Sizes

In total, 20 small employers were interviewed, with four large and four medium employers within the sample of employers who used apprenticeships. Across the sample of the entire 40 employers, there were 24 small employers, eight medium-sized employers and eight large employers included. Large employers were over-sampled due to their higher number of apprentices and to provide a better spread of experience and opinion.

The achieved sample consisted of 28 employers who used apprenticeships and 12 employers who did not use apprenticeships. The sample of employers who used

apprenticeships was exhausted at 28 and therefore two additional employers who did not use apprenticeships were surveyed than originally planned. The achieved sample of employers who used apprenticeships can be seen in Table A1.2.

**Table A1.2: Achieved ‘Sample of employers who used apprenticeships’\***

Sector	Size		
	Small	Medium	Large
Childcare	6		
Hairdressing	6 <sup>1</sup>		
Hospitality	2 <sup>2</sup>	2	
Leisure		2	
Retail	3		3 <sup>4</sup>
Social care	2 <sup>3</sup>	1	1

Notes: \* in England, except where stated. <sup>1</sup> 2 in Wales, 1 in Scotland; <sup>2</sup> Wales; <sup>3</sup> 1 in Scotland; <sup>4</sup> 2 in Northern Ireland.

Source: IES, 2009

Two employers were interviewed from each sector that did not use apprenticeships, with due regard to providing diversity in terms of size and region. Table A1.3 illustrates the achieved sample of employers that did not use apprenticeships.

**Table A1.3: Achieved ‘Sample of employers with no apprentices’\***

Sector	Size		
	Small	Medium	Large
Childcare	2 <sup>1</sup>		
Hairdressing	2 <sup>2</sup>		
Hospitality		1	1
Leisure			2 <sup>4</sup>
Retail	1 <sup>3</sup>		1
Social care		2	

Notes: \* in England, except where stated. <sup>1</sup> 1 in Scotland; <sup>2</sup> in Northern Ireland; <sup>3</sup> in Scotland; <sup>4</sup> 1 in Scotland.

Source: IES, 2009

## 8.4 Interview format/content

A semi-structured questionnaire was developed in consultation with the LPC and based on a draft version produced by the LPC (see Appendix 2).

Interviews were carried out by experienced qualitative researchers at IES by telephone, at the convenience of the interviewee.

It was expected that interviews would last approximately 15 minutes. Interviews with employers who used apprenticeships ranged from 10 to 50 minutes. Interviews with employers who did not use apprenticeships ranged from 5 to 12 minutes.

## 8.5 Data analysis

Data analysis consisted of both quantitative and qualitative techniques. A form was set up in Excel to provide the data capture from the interviews conducted. Quantitative responses, such as ages of apprentices, ethnicity and use of exemptions, were coded. Information on pay and working hours was recorded numerically. Scaled qualitative questions, for example Q16: *'How would you rate the quality of the off-the-job training?'*, *'excellent'*, *'satisfactory'* or *'poor'*; were coded responses. Qualitative responses were recorded digitally to aid accuracy and comprehensiveness of later analysis. Notes were also taken whilst carrying out the interviews, allowing text to be input into the Excel data-capture sheets immediately.

The Excel capture sheet was then exported to SPSS, which allowed quantitative and coded qualitative responses to be analysed with regard to size and sector. A new variable was created for size; consisting of small employers (1–49 employees), medium-sized employers (50–249 employees) and large employers (250+ employees). However, it should be noted that small employers in general tended to consist of fewer than 20 employees, particularly in the hairdressing and childcare sectors. Medium-sized employers often consisted of fewer than 100 workers, whilst large employers varied greatly in size, including some multi-national employers.

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## Appendix 2: LPC 2008 Survey of Employers - Apprentice Exemptions Questionnaire

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### 8.6 IES telephone questionnaire for study of apprenticeship exemptions

Introduce self and ask for **(INSERT named person)**.

I am calling on behalf of the INSTITUTE FOR EMPLOYMENT STUDIES. You recently completed a questionnaire regarding the impact of the National Minimum Wage for the LOW PAY COMMISSION. You agreed to be contacted for a follow-up survey exploring your use (or not) of apprentices, which we are carrying out. We are particularly keen to gather your views on the likely impact of any changes to exemptions (NOTE: below 19 yrs exempt from NMW; 19 yrs and over exempt in the 1st year) from the National Minimum Wage for apprentices.

I would be grateful if you could take 15 minutes to answer a few short questions.

**(If manager cannot spare time now arrange to call back again at more appropriate time.)**

The findings of this research will be used by the LOW PAY COMMISSION in its recommendations to Government.

All information collected will be treated IN THE STRICTEST CONFIDENCE.

Seek PERMISSION to tape interview.

#### 8.6.1 A - Employment of apprentices

1. Can I confirm that you employ **(INSERT NUMBER or NONE. Where 'NONE' double-check and GO TO Q21 following confirmation)** apprentices on a nationally recognised apprenticeship programme?

Yes  OR record amended number

2. On what programmes and at what levels are these apprentices employed?

.....  
 .....  
 .....  
 .....  
 .....

### 8.6.2 B - Personal details of apprentices

3. Looking at the age of these apprentices, can I confirm that:

- (INSERT NUMBER) of your apprentices are aged 16 to 17
- (INSERT NUMBER) of your apprentices are aged 18
- (INSERT NUMBER) of your apprentices are aged 19
- (INSERT NUMBER) of your apprentices are aged 20
- (INSERT NUMBER) of your apprentices are aged 21
- (INSERT NUMBER) of your apprentices are aged 22+

4. How many of these apprentices are female?

5. What ethnic groups do your apprentices belong to? **(Probe for numbers or proportions under the following categories.)**

- White
- Mixed
- Asian or Asian British
- Black or Black British
- Chinese or other ethnic group

### 8.6.3 C - Pay practices and benefits

6. (ASK Q6 WHERE DATA NOT ALREADY AVAILABLE ONLY, ELSE GO TO Q7) What are your lowest basic **hourly** pay rates for employed apprentices?

1st year

2nd year

3rd year

7. What amount is paid to apprentices on a **weekly** basis?

1st year

2nd year

3rd year

8. Do you make use of exemptions from paying the National Minimum Wage to apprentices? (NOTE: Below 19 yrs exempt from NMW; 19 yrs and over exempt in the 1st year.)

Yes  No

(If yes, note details) .....

.....

.....

9. Can I confirm that your apprentices receive additional pay elements such as (INSERT DETAILS):

Tips Yes  No

Bonuses Yes  No

Overtime Yes  No

Other Yes  No

(If YES, probe for whether these payments count towards weekly pay. Probe for any comments about these additional payments, including their level.)

.....

.....

10. How does the pay structure for apprentices on recognised programmes differ from the pay structures for trainees who are not on an accredited programme?

.....  
.....  
.....  
.....

11. Do you employ any unwaged apprentices?

Yes  No

If yes, record number:

#### 8.6.4 D - Working time for apprentices

12. How many hours are there in a standard working week for your apprentices?

13. How many hours do your apprentices typically spend a week on the following:

Off-the-job training	<input type="text"/>
On-the-job training	<input type="text"/>
Overtime	<input type="text"/>
Working during normal contracted hours	<input type="text"/>

#### 8.6.5 E - Apprentice training

14. What training do your apprentices receive?

On-the-job	<input type="checkbox"/>
Off-the-job but delivered by the employer at the place of work	<input type="checkbox"/>
Off-the-job, delivered at the place of work by an external provider	<input type="checkbox"/>
Off-the-job, delivered away from the place of work, eg at a college/training provider	<input type="checkbox"/>

**(If no off-the-job training ask Q15 (NOT Q16) and GO TO Section F.)**

15. Do you provide your own training programmes for apprentices (which do not receive public funding)?

Yes  No

16. How would you rate the quality of off-the-job training?

	Excellent	Satisfactory	Poor
Off-the-job, but delivered by the employer at the place of work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Off-the-job, delivered at the place of work by an external provider	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Off-the-job, delivered away from the place of work, eg at a college/external training provider	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 8.6.6 F - Apprentice performance

17. In general, how would you rate the performance of your apprentices?

Excellent  Good  Satisfactory  Poor  Very Poor

18. How many (or what proportion) of your apprentices do not complete their apprenticeship?

None

If some, probe for non-completion percentage

**(If None GO TO Section G.)**

19. Why do you think some apprentices do not complete their apprenticeship?

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(Probe on role of pay levels or issues related to pay, eg low initial pay, pay does not increase fast enough; they get other jobs before they finish; they don't like the training; they lack commitment; they lack ability; work environment; other etc.)

### 8.6.7 G - Apprentices in your organisation - wider benefits

20. What do you think are the benefits for your organisation of having apprentices? (then GO TO Q22)

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(Prompt: opportunity to train staff to organisation's own standards; apprentices acquire appropriate range/depth of skills; facilitates the obtaining of financial assistance with training from the government; helps recruitment of young workers; helps retention of young workers; other.)

21. **(NOTE: Only ask if do not employ apprentices.)** In the recent LPC survey you said that you do **not** employ apprentices because of the following reason(s):

INSERT not relevant

INSERT too much bureaucracy

INSERT too time-consuming

INSERT too costly

INSERT concerns about the quality of potential candidates

INSERT use own training schemes

INSERT existing programmes do not meet skill needs

INSERT no in-house capacity to provide necessary training

INSERT other

Could I ask you to explain this/these reasons? (Probe for any other reasons.)

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22. In the future do you intend to employ:

More apprentices

Fewer apprentices

The same number

23. What do you think are the obstacles for businesses which want to employ apprentices? (Probe on financial incentives and funding issues.)

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### 8.6.8 H - Apprentice exemptions from the National Minimum Wage

In this final section we would like to briefly explore your views on the current apprentice exemptions (below 19 yrs exempt from NMW; 19 yrs and over exempt in the 1st year).

Your opinions are particularly important in guiding the current work of the LOW PAY COMMISSION.

24. What are your views on apprentice exemptions? (Probe also for opinions or suggestions on any changes.)

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25. I am now going to present you with five possible options ranging from: keeping the current apprentice exemptions as they are, to removing them completely and replacing them with the NMW. In relation to these options I

would like your views on 1) the likely impact in your organisation, and 2) any benefits and/or disadvantages perceived:

i. The current exemption is maintained.

(This means that there is no statutory minimum pay for apprentices, and any payments to apprentices are contractual such as through the LSC arrangement or advisory such as in Scotland (explanation to be added).)

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ii. Existing contractual arrangements are given a statutory basis.

(The £80 weekly pay (or an increased amount) would apply across the UK and be enforced by HMRC.)

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iii. Variations on the exemption would be introduced, eg:

a. for some ages?

(The exemption would only be applied to a smaller (younger) age range – for example only to 16 and 17 year olds.)

b. for a specific length of time?

(The exemption could only be applied for a fixed number of years, regardless of age.)

c. by apprenticeship level?

(For those undertaking the lower level apprenticeship (Level 2) and Pre-Apprenticeship training, but does not apply to those at a more advanced level (Level 3 apprentices).)

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iv. A separate 'Minimum Wage' would be set for apprentices.

(This means that all apprentices would have an entitlement to a statutory minimum wage, set at a separate rate to all the existing minimum wage rates of adult, youth development and 16 to 17 year old rates.)

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v. The age-related National Minimum Wage would be applied to all apprentices of any age and the exemptions removed completely.

(This means that all apprentices would have an entitlement to the appropriate National Minimum Wage rate which applied to their age group.)

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### 8.6.9 I - End

Interview is at an end. Thank for time and views.

26. Anything further to add or emphasise?

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