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The impact of accountancy apprenticeships

**A report prepared for
Kaplan and the Association of Accounting Technicians
(AAT)**

By

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March 2020

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Glossary

AAT	Association of Accounting Technicians
BAME	Black and Minority Ethnic
EPA	End Point Assessment
RoAAO	Register of Apprentice Assessment Organisations
RoATP	Register of Apprenticeship Training Providers
ROI	Return on Investment
SIC	Standard Industrial Classification

Executive Summary

Introduction

The main aim of this research project was to assess the added value, for learners and employers, of undertaking an apprenticeship in comparison to an equivalent stand-alone qualification.

The research focuses on England and is in response to the implementation of considerable apprenticeship reforms in April 2017, a key element of which was the introduction of the apprenticeship levy. The introduction of these reforms was followed by a large reduction in the number of apprenticeship starts overall (although not in the Accounting sector) which have not yet recovered to pre-April 2017 levels. There has also generally been a significant increase in the take-up of Higher level apprenticeships and decreases in Intermediate apprenticeships, and a continuation of the trend to employing older rather than younger apprentices.

The study involved a mixed method approach involving an e-survey of apprentices, and for comparison 'non funded' AAT diploma learners as well as apprentice employers. This was then followed up with in-depth qualitative interviews of the same groups.

The employers and learners interviewed for this study were with a range of training providers. The apprentices and diploma learners were employed by a range of businesses, and used different training providers.

Main findings from the employer surveys

An e-survey was undertaken of employers who employed Level 3 Assistant Accountant apprentices, 56 employers responded to the e-survey and 18 employers were interviewed in the follow-up survey. The 56 employers in the e-survey employed almost 275,000 people, 1,403 apprentices and two thirds paid the levy.

The decision to recruit apprentices was found to be made at the most senior level, on an annual basis, and in the same way as other training decisions (unless the employer recruits school leavers as apprentices). Many firms employ a wider range of accountancy and other apprentices other than the Level 3 Assistant Accountant apprentices. However, these Level 3 apprentices are often the main type of apprentice (accounting and otherwise) which these businesses employ.

Most employers in the study offer accountancy apprenticeships to meet their recruitment (especially younger people) and skills needs. In this industry, apprenticeships are seen as an effective mechanism for recruiting staff, and for recruiting entry level staff in particular on to a pipeline of progression ultimately leading to Chartered Accountancy status.

Most of the levy payers interviewed want to spend their levy. The introduction of the levy does appear to have played an important role in stimulating investment in apprenticeships from levy payers, but not at the expense of other training (i.e. no substitution effect). The introduction of the 20% off-the-job training is having a small negative effect on apprenticeship recruitment, particularly amongst levy payers. The other main reforms, such as the introduction of Standards, had a neutral impact. An important driver of accountancy apprenticeships has been the introduction of the Level 7 accountancy standard, as apprentices could now be trained up to Chartered Accountant status.

Level 3 Assistant Accountant apprenticeships were predominantly concerned with recruiting younger people, although around one third did not target particular age groups. The Level 3 Assistant Accountant apprenticeship appears to be a key route into accountancy for both younger and older people with most recruited specifically to start the apprenticeship, rather than offering it to existing employees.

All employers said that they paid salaries above the minimum wage required for apprentices.

The large majority of Level 3 Assistant Accountant apprentices complete (or will complete) their apprenticeships, and once having graduated very few leave their apprentice employer. Almost all of these apprentices fulfil the role that they have been recruited and trained for, and have been/will be promoted to a full assistant accountant post with concomitant pay rises.

Employers in the study are likely to increase apprenticeship recruitment, and this is for all types of apprentices – Level 3 Assistant Accountant, other accounting and non-accounting. This is because of the number of benefits it brings, in particular: developing skills relevant to the organisation, improved productivity, and staff retention and recruitment. Most employers, discussed apprenticeships in terms of a progression pipeline whereby new recruits (and to a lesser extent existing employees) could be trained from Level 3 through to Level 7 where levels of productivity and profitability were highest.

There were also a number of costs associated with employing apprentices most notably: apprentices not working whilst undertaking 20% off-the-job training, mentoring and supporting apprentices, and supervising apprentices. However, overwhelmingly, employers said that the benefits of apprenticeships outweighed the costs, and often by a significant amount.

Main findings from the employer surveys apprentice and diploma learner surveys

The routes into the respective programmes are different for older and younger apprentices and diploma learners. Most diploma learners were in full-time employment (in the main for their current employer) prior to undertaking the diploma, suggesting that the diploma is a job progression tool. Younger apprentices were more likely to have been in education and training (including other apprenticeships) whilst older apprentices had mostly been in full-time employment (working for another employer).

The reasons for starting the training programme varied between apprentices and diploma learners. Younger apprentices saw apprenticeships predominantly as a stepping stone to further training and qualifications whilst older apprentices viewed it more of a job and skills development tool. Diploma learners were most likely to say that they wanted to improve their skills and knowledge or to help them get a better job.

There were two main trajectories to undertaking the diploma. Those already working in a finance or administrative role saw the diploma as a route to providing them with the skills and competencies to undertake their jobs more effectively. Learners working in jobs unrelated to accountancy wanted to move into the profession, and the diploma was seen as an attractive option in terms of pay and career progression.

Most apprentices knew very little about the apprenticeship before they started, they were attracted to the *job* component of the apprenticeship rather than the *training*.

Apart from sacrificing higher wages (at least in the short-term), apprentices contributed very little to the cost of their apprenticeship. Diploma learners on other hand sometimes had to

pay all of the costs of training (unless they were sponsored by their employer), and these could total £2,261 throughout the length of the course.

The large majority of apprentices were paid higher than the minimum wage, but a small proportion believed they were paid less. It is not clear whether this is because some people do not accurately recall or calculate their annual salary, for example, basing it on their net rather than gross pay. Kaplan asks all its apprentices to record their salary in order to ensure that pay levels comply with the minimum wage.

Diploma learners tended to earn less than apprentices, but this could be because they were often not working full-time.

There were high levels of satisfaction from apprentices with almost nine out of ten satisfied or very satisfied with the course overall and the course content. Across a range of metrics, very few apprentices said that they dissatisfied/very dissatisfied. Diploma learners too registered high levels of satisfaction with four out of five registering satisfaction across most indicators. Very few diploma learners said they were dissatisfied/very dissatisfied with any aspect of the course.

It is a condition of an apprenticeship that apprentices spend 20% of their time in off-the-job training. However, a significant minority reported they felt that they spent less than this amount of time. Off-the-job training includes a range of activities undertaken in different locations. It could be that respondents did not include some of these less formal training, learning and support activities in their calculation. It is worth noting that sometimes individuals are unsure if training counts as off-the-job and that all training providers including Kaplan are charged with ensuring off-the-job hours are met.

Despite the fact that some apprentices did not always report that they get their 20% off-the-job training, an overwhelming number of apprentices preferred the earning and learning approach because they were able to apply what they had learned in a real world setting whilst also earning a wage. The major disadvantage identified by most apprentices was that they had to undertake some training in their own time. It is worth noting that all apprentices were aware of their 20% entitlement and that training providers do monitor that this is fulfilled.

Diploma learners in employment also preferred being able to work and train at the same time. The main advantage of the diploma was the flexibility of the (predominantly distance) training and the practical application of knowledge in their daily job. The main drawback was finding the time to study whilst working and/or meeting childcare commitments.

The responses of apprentices supports the view from employers, that the Level 3 Assistant Accountant apprenticeship is the first step on a progression pipeline to becoming a qualified Accountant. The large majority of Level 3 apprentices had, or planned to, progress on to the Level 4 accountancy apprenticeship with their current employer and many had a view to the Level 7 qualification.

Progression routes for diploma learners were more complex given the greater diversity of backgrounds. Nevertheless around half have either started on the Level 4 qualification or plan to do so. and two out of five are looking to move into an accountancy job, or a role with a greater accountancy content (e.g. bookkeeping).

Both apprentices and diploma learners agreed that the apprenticeship/diploma improved their accountancy skills, career prospects, employability skills and pay prospects.

In the short-term, most apprentices believed that the apprenticeship had a neutral effect on their finances but this offset by the skills and experience they had developed. Diploma learners also reported a neutral effect, they were fully aware of the financial implications of studying for the diploma and had weighed this against the advantages in terms of their job and career prospects.

In the longer term (five years) apprentices expected positive impacts on their career/professional development and earning potential. Diploma learners were also very positive about the impacts of their qualification on their job prospects and pay.

The return on investment

Employers

A main objective of the study was to assess the return on investment (ROI) to employers and apprentices, and diploma learners. Past national studies have taken an economic rationalist view of decision making, people (employers and learners) will undertake a course of action if the benefits of that choice outweigh the costs.

Employers do plan their apprentice demand, but do not have access to the information that would allow them to calculate the marginal returns of recruiting apprentices. The decisions of accountancy businesses are longer term, seeing the Level 3 apprenticeships as the first stage in a progression pipeline.

Similarly, both apprentices and diploma learners also see the Level 3 apprenticeship and diploma as a starting point to a career in accountancy and a step to progressing on to higher levels of training and qualifications, and earnings.

Based on interviews with employers who estimated the monetary costs and benefits from apprenticeships there is an initial net cost to employers of training an apprentice. This varies from **-£2,737** (for a non-levy payer employing new recruits as apprentices) to **-£14,615** (for a levy payer employing existing employees as apprentices). However, if the wider benefits of training are included (such as productivity, workforce retention and progression) there becomes a net benefit ranging from £67 (for a levy payer recruiting an existing employee as an apprentice and retaining them for five years) to £25,784 (for a non-levy payer recruiting a new employee as an apprentice and retaining them for eight years).

Apprentices and diploma learners

For apprentices the cost of their apprenticeship is minimal as their employer pays the programme fees and the large majority of other costs. The main alternative for apprentices was Higher Education so there would have been no loss of earnings (as well as the avoidance of debt).

For diploma learners the main cost depends on whether their employer is paying the programme fees or not. Some diploma learners mentioned childcare costs but none provided cost estimates of this. The main benefit is the increased salary apprentices and diploma learners receive. This is higher for diploma learners than for apprentices because diploma learners tend to be older. The salary increase occurs in their first year after completion and so the salary benefit is likely to be maintained for a number of years. The net benefit of the apprenticeship and diploma are very similar, around **£4,500** for the first year after completion and are very similar. These are likely to be maintained over a number of years, especially as most apprentices and diploma learners were, or planning to, take higher level accountancy qualifications.

Conclusions

For employers, apprentices and diploma learners both the apprenticeship and diploma serve mainly as an entry point into the accountancy profession. The Level 3 apprenticeship and diploma is a good starting point on a progression pipeline that propels most graduates to Level 4 and, for some, to Level 7 Chartered Accountancy status.

There are high levels of satisfaction from employers, apprentices and diploma learners for the programmes overall, and their content and relevance. However, there is a concern over the pay levels of some apprentices (although employers report they pay above the minimum wage) and the amount of of-the-job training apprentices received.

The apprenticeship levy has made employers more likely to take on apprentices, and expand other training. There is no evidence of a substitution effect.

Apprenticeships and the diploma bring a range of benefits and costs to employers, apprentices and learners, but all three groups believe the benefits outweigh the costs.

This is reinforced in the ROI analysis. In the short term, whilst the apprentice is on the programme, employers' costs outweigh the benefits. However, employers are not myopic and in the medium term (in as soon as three years) will more than recoup their costs through enhanced productivity, retention and progression. Based on UK-wide job tenure rates of 8-10 years in the worst case scenario (a levy payer recruiting existing employees as apprentices), employers are likely to at least double their investment.

The returns to apprentices and diploma learners are very similar. Both groups of learners will see a net benefit of around £4,500 in their first year after graduation.

1. Introduction

1.1. Introduction

Warwick University Institute for Employment Research (IER) was commissioned by Kaplan and the Association of Accounting Technicians (AAT) to research the impact of accountancy apprenticeships. The study included Kaplan and non-Kaplan employers and apprentices.

The main aim of this research project is to assess the added value, for learners and employers, of undertaking an apprenticeship and an equivalent stand-alone qualification. Both apprenticeships and stand-alone qualifications are routes to professional status within the accountancy sector. They both generate benefits to both employers and learners but incur costs, financial and non-financial. The study has explored these costs and benefits comparing the two types of qualification, especially since the introduction of the apprenticeship levy and whether this has impacted on the costs and benefits to employers and learners.

In the UK, skills is a devolved issue. This report focuses on apprenticeships in England only.

1.2. Background

In April 2017, there was a sea change in the way apprenticeships were funded. In the past, apprenticeships for young people (16-18 especially but also 19-24 year olds) had been heavily subsidised by the Government, and less so for adult apprenticeships. From Spring 2017, the apprenticeship levy was introduced and this imposed a levy on all employers of 0.5% of their pay bill. Each employer received an allowance of £15,000 which meant that only those with a wage bill over £3 million per annum would contribute to the levy. Any expenditure by levy payers on apprenticeship training would be offset by their levy contribution. Non-levy payers would receive a 90% contribution to the costs of their training and pay the remaining tenth themselves, this was later increased to 95% with employers paying 5% of the costs of the apprenticeship programme.

The levy was the main element in a batch of reforms which also included: employers taking the lead in defining apprenticeship standards; an emphasis on End Point Assessment (EPA) as a means of determining achievement of those standards; the removal of a the need to achieve a qualification and; creating a Register of Apprenticeship Training Providers (RoATP) and a register of Apprentice Assessment Organisations (RoAAO). Since April 2017 there has been a fall in the number of apprenticeship starts which many observers attributed primarily to the introduction of the levy.

Figure 1 shows the latest figures for apprenticeship starts from 2014/15 (academic year i.e. August 2014 to July 2015) by level for all apprentices and those in accountancy and finance. The data only includes Levels 2 to 4 because degree apprenticeships were not available (apart from a few programmes) prior to 2017/18. The data have indexed to 2014/15 because of the different scales.

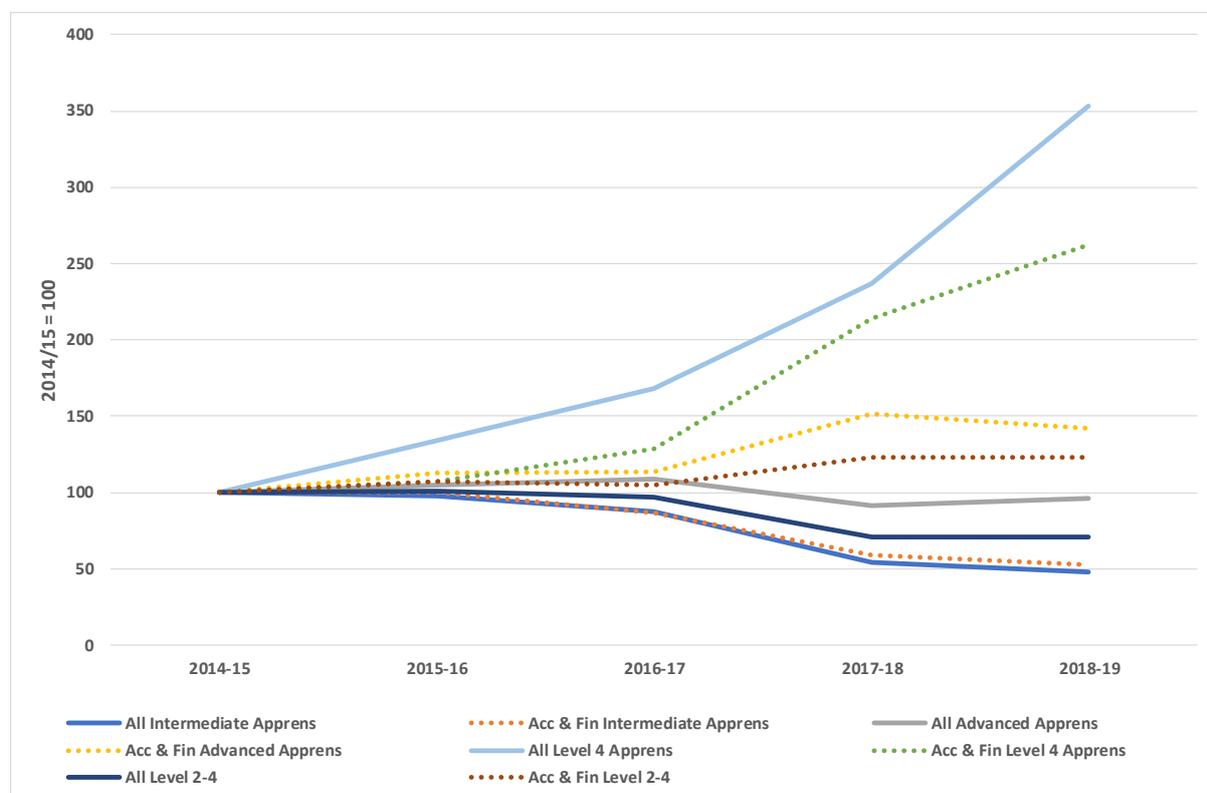
In 2014/15 the number of apprentice starts on all Intermediate (Level 2), Advanced (Level 3) and Level 4 apprenticeships were 298,280, 181,763 and 7,087 respectively. The number of apprentices on Level 2-4 accountancy and finance apprenticeships were 4,790, 5,054 and 1,766 respectively. The apprenticeship reforms came three quarters of the way through 2016/17 year.

Since 2014/15 the total number of starts on all Intermediate apprentices more than halved (-52%). The total number of apprentices on all Advanced apprenticeships fell by -4% and the number on Level 4 apprenticeships rose by 253%.

The number of accountancy and finance Intermediate apprenticeships also fell significantly by -47% between 2014/15 and 2018/19. However, the number of accountancy and finance Advanced apprenticeship starts rose by 42% and accountancy and finance Level 4 starts more than doubled (an increase of 162%). Overall the number of Level 2-4 accountancy and finance apprentices rose by 23% compared to a decline of -30% in all Level 2-4 starts.

It is worth noting that new Apprenticeship standards for Accounting were introduced in 2016/17 (both level 3 and level 4 and 2019 (level 2) and that their equivalent 'Framework' apprenticeships have been closed.

Figure 1 Apprenticeships starts 2014/15 to 2018/19: All apprentices and accountancy and finance apprentices Levels 2, 3 and 4



Source: Department for Education October 2019

1.3. Methodology

There were two main elements to the methodology. Firstly, an e-survey of apprentices, diploma learners and apprentice employers. E-survey respondents then formed the sample for qualitative interviews with the same three groups.

For apprentices and employers, both the e-surveys and the qualitative interviews focused on the Level 3 Assistant Accountant Apprenticeship. This is because this apprenticeship is considered to be the entry point to the accountancy profession.

For diploma learners, the study focused on the Level 3 AAT Advance Diploma. This is the diploma that is the qualification within the Level 3 Assistant Accountant apprenticeship.

The employers and learners interviewed for this study were with a range of training providers. The apprentices and diploma learners were employed by a range of businesses, and used different training providers.

1.3.1. E-survey

Employers

An email was sent out by Kaplan to 800 employers who employed a Level 3 Assistant Accountant apprentice and used Kaplan as their training provider. In addition, an email was sent to 1,319 employers on Kaplan's apprenticeship database asking them to complete the survey. The e-survey ran from May 2019 to August 2019, and 56 employers responded. The e-survey asked employers about their apprenticeship offer, the reasons they employed apprentices, progression of apprentices, and the costs and benefits of investing in apprenticeships.

All employers who responded to the e-survey and consented to follow-up contact were invited to participate in a follow-up qualitative interview. Eighteen employers were interviewed by telephone by IER researchers. The qualitative interviews explored the e-survey responses in greater detail, especially quantifying the costs and benefits of apprenticeships.

Apprentices

Due to GDPR regulations Level 3 Assistant Accountant apprentices could not be contacted directly. Between April 2019 and July 2019 all Kaplan employers who had an apprentice were asked to contact their apprentices and ask them to complete the survey. In addition, AAT contacted 22,587 UK students currently registered as doing the AAT Advanced Diploma (Level 3) via AAT's email newsletter 'AAT Weekly'. AAT calculates that around 4,500 apprentices currently complete their Level 3 EPA each year, and this provides an estimate of the total number of AAT apprentices per annum. A total of 174 apprentices completed the e-survey. The questions covered their situation prior to the apprenticeship, reasons for undertaking an apprenticeship, experiences of the programme, progression, and costs and benefits. Everyone who completed the e-survey was entered into a £100 prize draw.

Apprentices completing the e-survey and consenting to follow-up contact were invited to participate in a follow-up interview. Twenty six apprentices were interviewed by IER researchers, the interviews explored their responses to the questions in the e-survey in greater detail.

Diploma learners

All learners undertaking the Level 3 AAT Advance Diploma with Kaplan and planned to complete between April 2019 and July 2019 were sent an email (580 in total). A total of 84 diploma learners completed the e-survey. The questions covered the same areas as the apprentice survey i.e. their situation prior to the apprenticeship, reasons for undertaking an apprenticeship, experiences of the programme, progression and costs and benefits. Everyone who completed the e-survey was entered into a £100 prize draw.

Diploma learners completing the e-survey and consenting to follow-up contact were also invited to participate in a follow-up interview. Twenty one diploma learners were interviewed

by IER researchers, the interviews explored their responses to the questions in the e-survey in greater detail.

1.4. Structure of the report

The report includes five sections:

Section 2 analyses the responses from employers to both the e-survey and qualitative interviews.

Section 3 provides the analysis and findings from the e-survey and qualitative interviews with apprentices and diploma learners.

Section 4 calculates a return on investment (ROI) for employers, apprentices and diploma learners.

Section 5 provides the main conclusions.

2. Survey of employers

2.1. Introduction

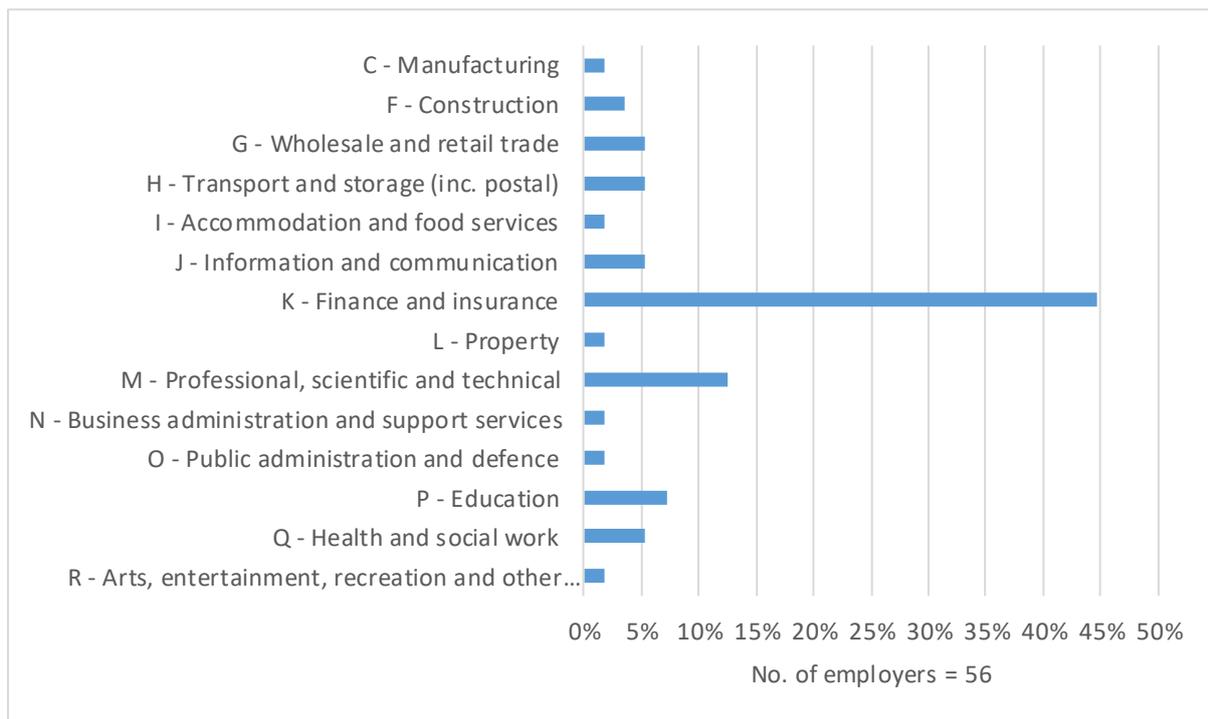
An e-survey was undertaken of employers who employed Level 3 Assistant Accountant apprentices and who were with a range of training providers. The survey asked employers about: their size and sector; involvement with the apprenticeship programme generally; involvement with the Level 3 Assistant Accountant apprenticeship specifically; perceptions of and satisfaction with apprenticeships; and the costs and benefits of apprenticeships. 56 employers responded to the survey.

A follow-up survey was undertaken with 18 employers, half of whom responded to the e-survey. The follow-up survey explored the decision to recruit apprentices and the impact on the business in more detail.

2.2. Characteristics of employer respondents

Figure 2 shows that e-survey employer respondents came from a variety of industrial sectors, but most (45%) were in Finance and insurance (UK SIC K).¹ Just over one in ten (13%) were Professional, scientific and technical businesses. Employers in the qualitative survey were more likely to be in the Finance and Insurance sector (65%) with the remainder covering a range of sectors.

Figure 2 Business sector – e-survey



Source: Warwick IER employer e-survey

¹ The industrial groupings and definitions are based on the UK Standard Industrial Classification 2007.

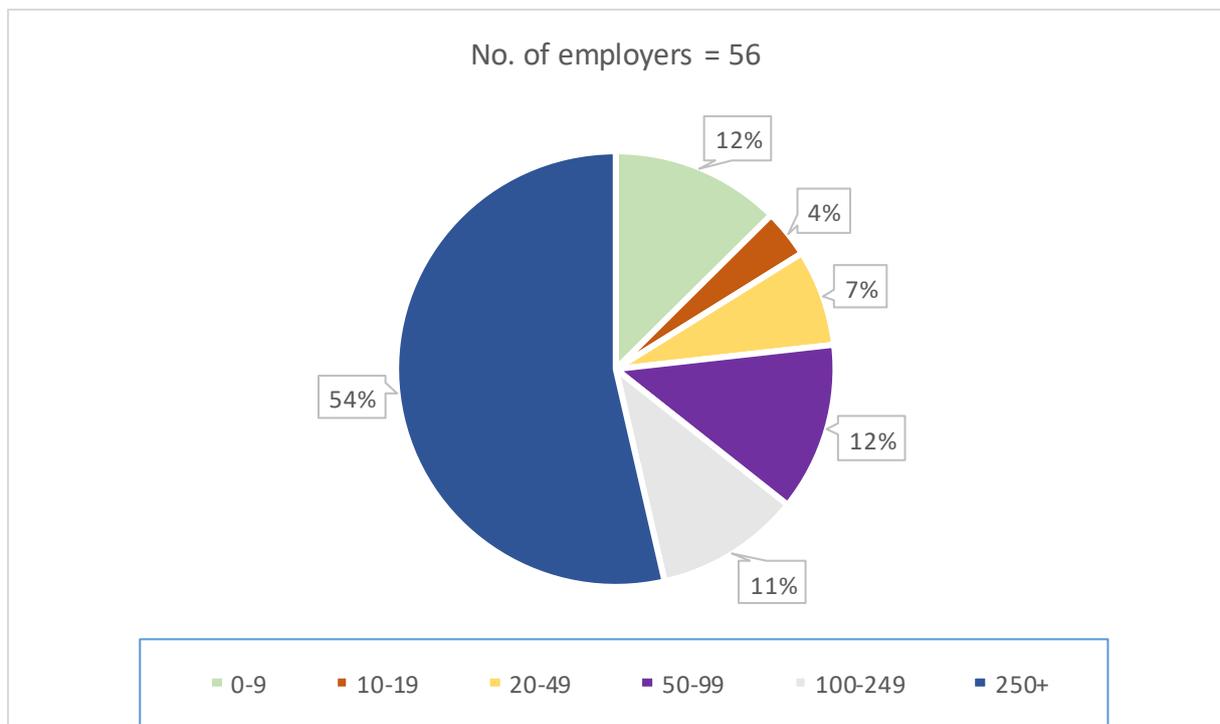
The 56 employers in the e-survey employed almost 275,000 people. The largest business by size of staff on their payroll were in the Transport and storage sectors (three businesses employing just over 150,000 people) and Wholesale and retail (three businesses employing just over 70,000). The 25 Finance and insurance businesses (which are likely to be accountancy firms) employed a total of just under 21,000 people.

Most organisations employed 250 or more people as Figure 3 shows. But there were also a number of micro business (13% employing 0-9 people) and smaller businesses (one quarter employed 10-99 people). Medium sized businesses (employing 100-249) represent 11% of the sample.

Whilst half of Finance and insurance businesses were micro or small businesses, one in three employed 250 or more people. So there is a good spread of micro- small, medium and larger businesses within the largest sector in the sample.

In the qualitative survey, there was a higher proportion of micro and smaller (42%), and medium sized (21%) businesses, and a smaller proportion of larger firms (36%).

Figure 3 Business employment size e-survey



Source: Warwick IER employer e-survey

Whether a business pays the apprenticeship levy depends on the size of their pay bill. Given the number of medium and large businesses most respondents (66%) pay the levy. Firms in the Finance and insurance sector are almost equally split between apprenticeship levy (52%) and non-levy (48%) payers. Businesses in non-Finance and insurance sectors (hereafter referred to as other sectors) were more likely to be levy payers (77%).

A slightly higher percentage of employers in the qualitative survey paid the levy (72%).

Most of e-survey businesses were optimistic about their future growth prospects. Over two thirds (68%) expected their businesses to grow over the next twelve months whilst 30% expected the level of business to remain the same. Only one business forecast a contraction. Finance and insurance organisations were more optimistic with 84% expecting business growth compared to 55% of other businesses. Micro businesses were most confident with 86% predicting business growth, but at least half of firms in the other size categories expected growth. Levy and non-levy payers had the same level of expectation with 68% in both categories forecasting growth.

2.3. Involvement with apprenticeships

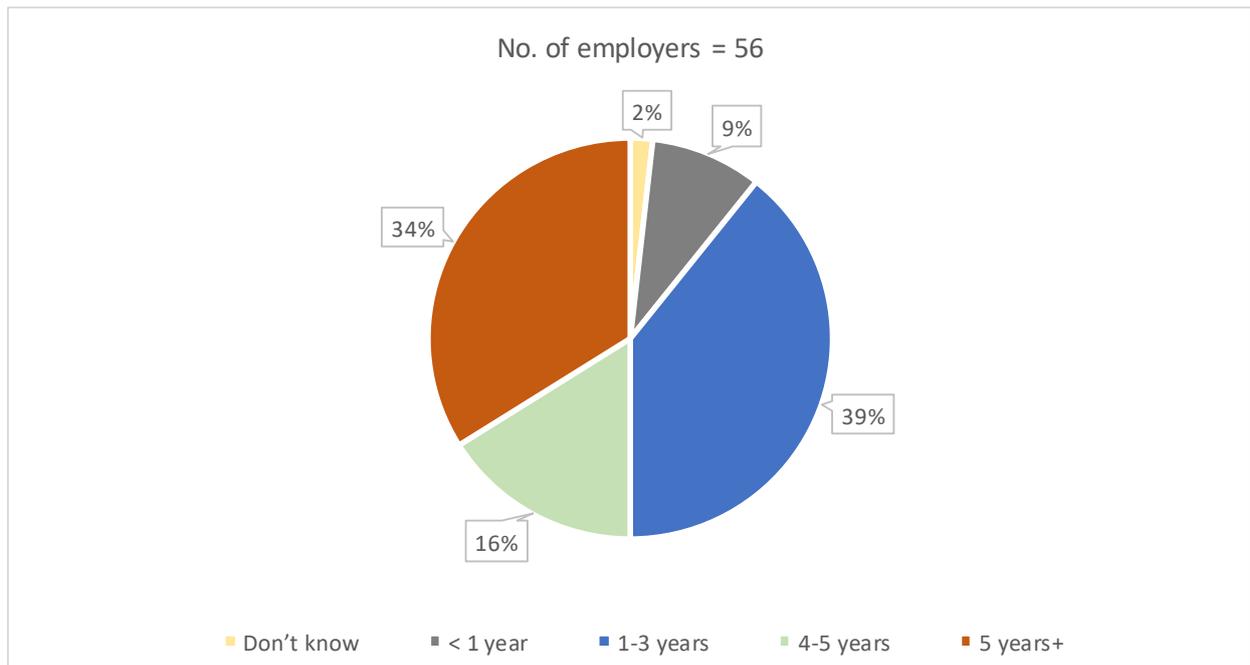
In the following sections, all commentary, figures and tables in the green boxes refers to apprentices and diploma learners involved in the qualitative interviews. Everything else is based on the e-survey.

Figure 4 shows that most employers in the e-survey were long standing employers of apprenticeships. Half of employers started offering apprenticeships four or more years ago with just over one third (34%) have been involved with apprenticeships for more than five years. The largest proportion of employers (39%) began offering apprenticeships between one to three years ago and this covers the period of the introduction of the apprenticeship levy and the other apprenticeship reforms in April 2017. Therefore most employers in the sample have been offering apprenticeships for a period of time that bridges the introduction of the levy.

Finance and insurance firms are more likely to have been offering apprenticeships for more than three years (56% compared to 45% of other firms).

Micro businesses (employing 0-9 people) were the longest standing apprenticeship employers with 71% offering apprenticeships for more than five years. Larger employers (250+) were most likely to be newcomers to apprenticeships with over half (57%) only starting to offer apprenticeships in the past three years. As it is related to payroll size, levy payers were much more likely than non-levy payers to begin employing apprentices in the past three years (54% and 37% respectively).

Figure 4 How long have you been offering apprenticeships?



Source: Warwick IER employer e-survey

Most businesses in the e-survey employ a broad range of accounting and non-accounting apprenticeships. Therefore the Level 3 Assistant Accountant apprenticeship appears to be part of a broader offer that covers other accountancy apprenticeships as well as programmes in other areas.

There were 1,403 apprentices in total currently employed by the 56 employers in the study, this accounts for 0.5% of their workforce. 54 businesses employed a total of 866 accountancy apprentices, they represent 0.3% of total employment and 62% of all apprentices. 52 businesses employed a total of 436 Level 3 Assistant Accountant apprentices, these represent 0.2% of the total workforce, 39% of all apprentices, and 53% of all accountancy apprentices.

Apprenticeship decision making: findings from the qualitative survey

The decision to recruit apprentices is often made at the most senior level, on an annual basis, in the same way as other training decisions, but varies between businesses of different sizes.

Depending on the size of the business it is the owner, Board of Directors/partners or the Senior Management Team/Departmental managers who make the decision. This is most often undertaken on an annual basis.

The decision making process varies between businesses and depends on their size. In smaller firms the owner/directors/partners would decide on workforce needs. In larger organisations, managers would identify their department's/office's workforce needs and apply within the business for apprentice recruits (as well as other staff). In some organisations, training needs (including apprentices) would be identified via the Personal Development Review (PDR) process, whilst in others staff would apply for training themselves.

Decisions were also taken on an ad hoc basis as and when business need arose, such as vacancies and opportunities arising as people got promoted within the firm or left.

In most cases the apprenticeship decision making process is the same as that of other training. In some cases, this is because apprenticeships are the only form of training on offer. Other employers see themselves more broadly as training organisations and so apprenticeships is but one option in a wider suite and offer of staff development.

In those organisations where apprenticeship decisions are taken differently to other forms of training, this is because it involves recruiting school leavers. In one case, the employer regularly recruits two Level 3 accountancy apprentices each year, whilst existing staff apply for their training opportunities based on how they are developing within the business.

Similarly, for those employers who see Level 3 (and some Level 2) accountancy apprentices as the first step in the progression pipeline to Chartered Accountancy status, Level 3 apprentices will be recruited to the business, whilst progression would depend on staff development reviews.

Many firms employ a wider range of accountancy and other apprentices. Table 1 shows that over one third (38%, and the largest proportion) offer accounting and non-accounting apprenticeships other than the Level 3 Assistant Accountant apprenticeship. For over half of employers (52%) the Level 3 apprenticeship is the only accounting apprenticeship they currently offer, though most of these firms (17 out of the 29) do offer non-accounting apprenticeships. For one in five business (21%) the Level 3 Assistant Accountant apprenticeship is the only apprenticeship they have.

The apprenticeship offer varies between different types of business:

- Finance and insurance businesses (40%) are likely to offer all three types (i.e. Level 3 Assistant Accountant, other accountancy apprenticeships and non-accountancy apprenticeships) but for 28% of businesses the Level 3 Assistant Accountant is the only apprenticeship they offer. Most firms in other sectors (45%) are most likely to offer the Level 3 Assistant Accountant and non-accounting apprenticeships, but no other accountancy apprenticeships.
- Medium (50%) and large (57%) businesses are more likely to offer all three types of apprenticeship whereas micro businesses (71%) tend to only offer the Level 3 Assistant Accountant apprenticeship as do small businesses (38%).
- Levy payers (54%) are much more likely to be offering all three types of apprenticeships than non-levy payers (5%), presumably because they are also larger firms. Non levy payers (47%) are much more likely to only employ Level 3 Assistant Accountant apprentices.
- Those employing apprentices for more than three years (43%) are more likely to offer all three types of apprenticeships, whilst those offering apprenticeships for a shorter period of time are most likely (41%) to have been recruiting Level 3 Assistant Accountant and non-accounting apprentices.

This paints a complex picture with different cross-cutting factors accounting for the breadth or narrowness of the apprenticeship offer and it is not clear what is driving this. For example,

Finance and insurance, and larger businesses are more likely to offer all three types of apprenticeships but Finance and insurance businesses tend to be smaller sized businesses.

Table 1 Apprenticeship offer in addition to Level 3 Assistant Accountant apprenticeships

Do you offer non-accounting apprenticeships?	Do you offer accounting apprenticeships other than Level 3?					
	No		Yes		Total	
	Number	% of total	Number	% of total	Number	% of total
No	12	21%	6	11%	18	32%
Yes	17	30%	21	38%	37	66%
Total	29	52%	27	48%	56	100%

Source: Warwick IER employer e-survey

E-survey employers were asked why they offered apprenticeships. They were able to choose multiple responses from a list provided. Figure 5 suggests that the main drivers for businesses are concerned with recruitment (especially younger people) and skill needs. However, 60% levy payers said that a reason was that they wanted to spend their levy.

Recruitment was the main driver of apprenticeship provision overall. 25 employers (45%) said that apprenticeships were a good way to recruit new staff, and 20 (36%) said it was to ensure that young people continued to enter the company. 17 businesses said that it was a good way to upskill existing staff, and the same number said they wanted to help young people. Just over one quarter (27%) said that the reason for offering apprenticeships was to spend the levy.

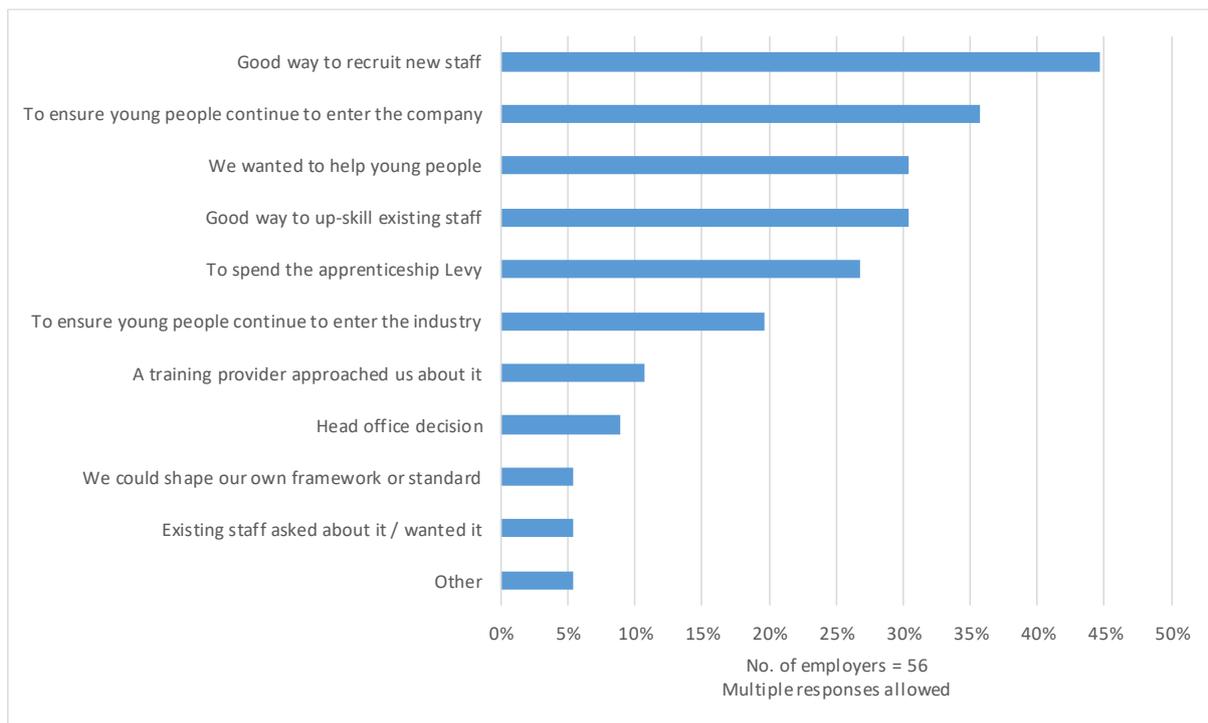
Different types of organisation highlighted different drivers:

- Those businesses highlighting that apprenticeships were a good way of recruiting new staff were more likely to be Finance and insurance businesses, and to have been taking on apprentices for a longer period of time;
- Similarly, those mentioning young people (either recruiting them or helping them) were also more likely to be Finance and insurance businesses, and to have been taking on apprentices for a longer period of time;
- Firms mentioning upskilling existing staff tended to be other sector businesses and levy payers;
- Respondents who said that spending the levy was an important factor were more likely to be levy payers, from other sectors, and had been recruiting apprentices for three years or less.

Therefore, the introduction of the levy does appear to have played an important role in stimulating investment in apprenticeships from levy payers who are also more likely to be medium and large businesses, operating in other sectors.

Finance and insurance businesses, in contrast, tend to be smaller and have been investing in apprenticeships for longer periods of time (pre-dating the levy), and see recruitment and young people as the main stimuli for apprenticeship investments.

Figure 5 Why do you offer apprenticeships?



Source: Warwick IER employer e-survey

Reasons for recruiting apprentices: findings from the qualitative survey

There a range of interlocking reasons why employers invested in training staff generally, and apprenticeships specifically: recruitment, retention, skills development, progression, business ethos as well as productivity and profitability.

Business need, in terms of having the skilled and qualified workforce to undertake the work, was the primary determinant of apprenticeship recruitment. In larger firms the workforce requirements of 'business need' would be determined through a bottom-up process whereby individual offices or departments would review their workforce requirements and inform higher level managers. In some cases, the staffing implications of 'business need' would emerge through the annual business planning process. In larger firms, therefore, the need for apprentices would be identified at the level of the business unit and this would cascade up to workforce planning across the organisation as a whole. It would be only at this point that staffing and training budgets would enter the decision making process, including decisions about levy spend.

As most businesses were expanding, workforce requirements are growing and this has driven demand for apprenticeships. In most cases, the Level 3 accountancy apprenticeship is the main apprenticeship on offer, and therefore demand for this level is expanding. Most recruits at this level are external, and these tend to be school leavers. Whether there are internal applicants wanting to apply would be identified through the PDR process or through calls to office/department managers or directly to staff.

Apprenticeships were seen as an effective mechanism for recruiting staff, and for recruiting entry level staff in particular. In some cases this was because it was cheaper and/or better to recruit entry level accountancy apprentices and train them up, than it was to recruit higher level staff. In part, this was because staff could be given the specific skills the organisation required and/or the business ethos and culture which the employer wants to develop in staff.

Staff progression (and thereby retention), especially to Chartered Accountancy status, was also important for a number of employers. In the case of one business, the managers identified how many senior staff they needed and then worked back to see how many Level 3 apprentices they needed to recruit.

As staff become better qualified they could be charged at higher rates therefore contributing increased levels of productivity and profitability to the business:

“We are a firm of Chartered Accountants so we train people for future workforce requirements. This is a pipeline. We take on trainees from school at Level 2, and then train them through Levels 3 and 4, and then to Level 7 as Chartered Accountants”.

Therefore the investment in, and recruitment of, lower level apprentices was the first stage in a progression pipeline to more complex and lucrative work.

“Our business model is based on bringing people into the organisation and training them from a standing start. As the complexity of the work they can do increases so does their charge out rate. They can progress and the level of profit they can make increases as their level, qualifications and experience increases”.

Businesses also needed staff at a variety of levels to undertake work of different value and difficulty. Lower level apprentices can undertake work of lesser value concomitant with the rate firms can charge clients for the work:

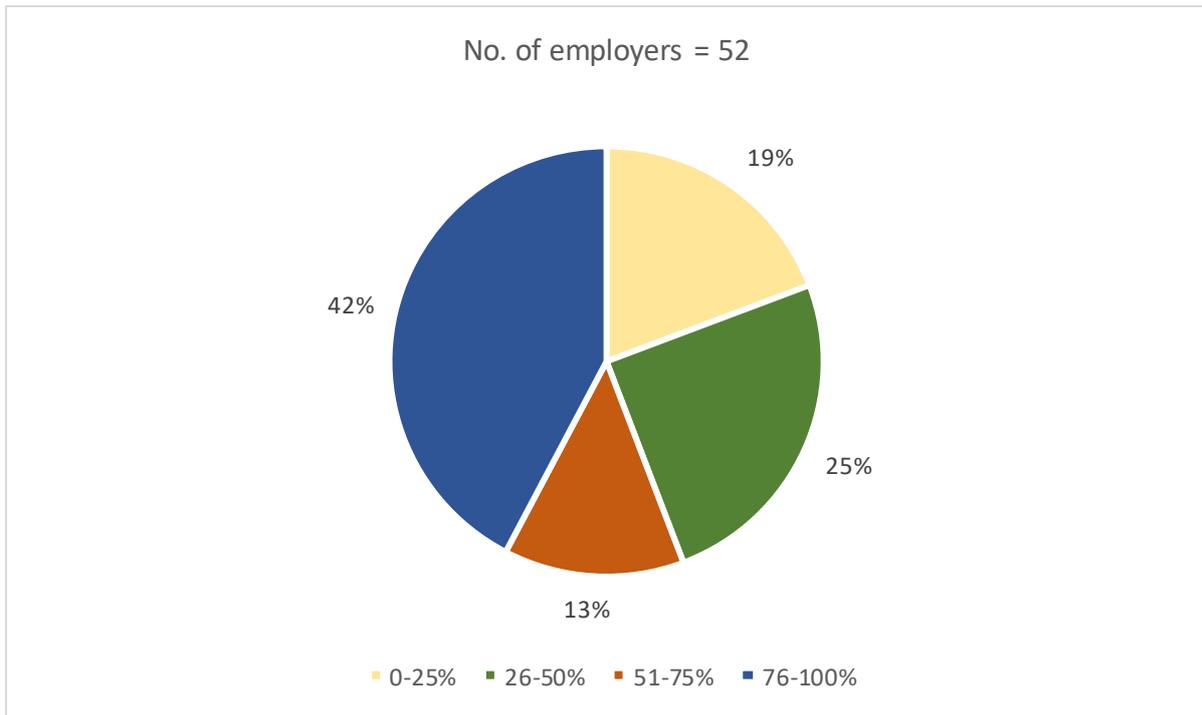
“Appointing people from outside would mean that they are qualified and their salary and charge out rate would be higher, making it hard to do certain jobs at a cost-effective rate. There are different levels of work required in audit and there is no point in paying someone who has a lot of qualifications to just do very basic work”.

This does not only apply to accountancy firms. It also applies to the accountancy function within larger firms which often a cost centre and charges for its work.

2.4. The Level 3 Assistant Accountant apprenticeship offer

Level 3 Assistant Accountant apprentices are often the main type of apprentices (accounting and otherwise) which businesses employ. Figure 6 shows that for the businesses in the e-survey, the Level 3 Assistant Accountant apprenticeship was the main part of their apprenticeship offer. For 42% of organisations, the Level 3 Assistant Accountant apprenticeship accounted for 75%-100% of all apprentices. For 55% of businesses, the Level 3 Assistant Accountant apprenticeship comprised at least half of all apprenticeships the company offered.

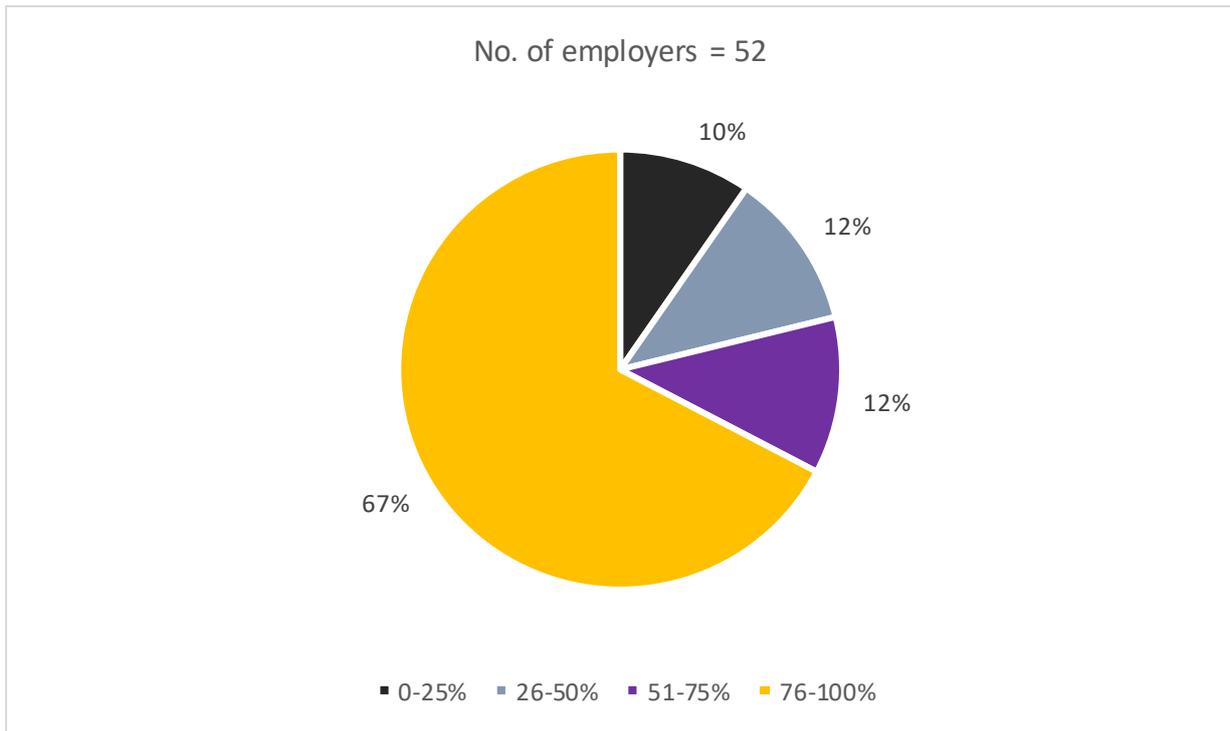
Figure 6 Level 3 Assistant Accountant apprentices as a per cent of all accountancy and non-accountancy apprenticeships



Source: Warwick IER employer e-survey

Figure 7 shows that the Level 3 Assistant Accountant apprenticeship was an even greater part of their accountancy apprenticeship offer. For two thirds of employers (67%) the Level 3 Assistant Accountant apprenticeship accounted for 75%-100% of all accountancy apprentices. For almost four out of five (79%), the Level 3 Assistant Accountant apprenticeship comprised at least half of all accountancy apprenticeships the company offered.

Figure 7 Level 3 Assistant Accountant apprentices as a percent of all accountancy apprenticeships

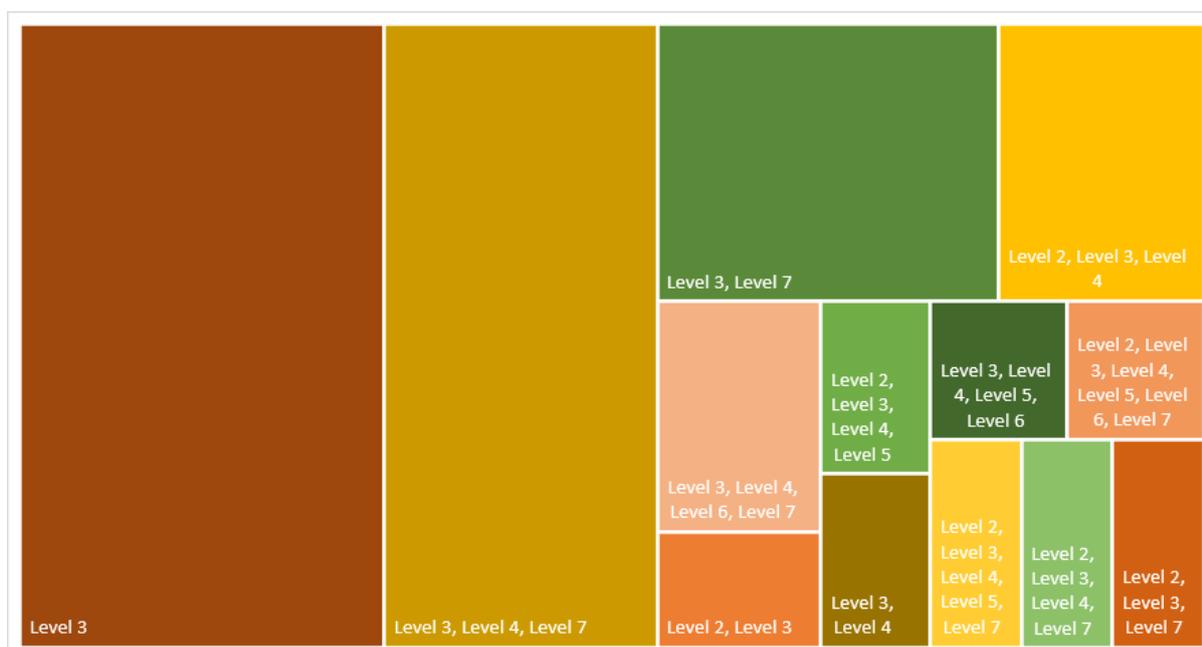


Source: Warwick IER employer e-survey

Figure 8 shows the Level 3 Assistant Accountant offer within the broader accounting apprenticeship offer of employers. The area of the boxes is related to the number of employers. Whilst 12 employers offered the Level 3 Assistant Accountant apprenticeship only, 27 offered other levels of accountancy apprenticeships. Of the 27 employers who offer non-Level 3 accountancy apprenticeships, most offered Level 7 (37%), Level 4 (37%) and Level 2 (26%). Most of these businesses (18 firms) offered the Level 3 Assistant Accountant apprenticeship as the entry point to other accounting apprenticeships. Nine businesses offered Level 2 as the starting point.

This underpins the conclusions drawn above that, in most organisations, the Level 3 Assistant Accountant apprenticeship is one point (and often the start) in a pipeline of progression within the accountancy profession, most often offered as the starting point.

Figure 8 Level 3 Assistant Accountant apprenticeships within the accountancy apprenticeship offer



Number of employers = 52

Source: Warwick IER employer e-survey

The place of the Level 3 Assistant Accountant apprenticeship: findings from the qualitative survey

When asked specifically what place does the Level 3 Assistant Accountant apprenticeship have in their workforce planning the overwhelming response was that this is a mechanism for recruiting new people (predominantly school leavers) into the organisation as the first step in a progression pipeline to becoming a Chartered Accountant. As a result, few employers said they offered the Level 3 Assistant Accountant apprenticeship to existing staff.

Within this priority some employers did say that they needed people to undertake accountancy work concomitant with staff at this level, and others mentioned wanting to inculcate young people with their particular business culture.

One employer, a local authority, said that it was a good way of recruiting new people into their organisation who may not have considered an accountancy role with them.

Employers were asked why they chose the apprenticeship rather another form of professional qualification. Most employers said that the Level 3 Assistant Accountant apprenticeship was the standard in the industry, it was universally recognised and it provided the right level of skills training for new accountants at that level.

Some employers mentioned the position of the Level 3 apprenticeship in the pipeline of progression from Level 2 and Level 4 and beyond. That it was part of a consistent suite of qualifications that would move people to higher levels of accountancy training and qualifications.

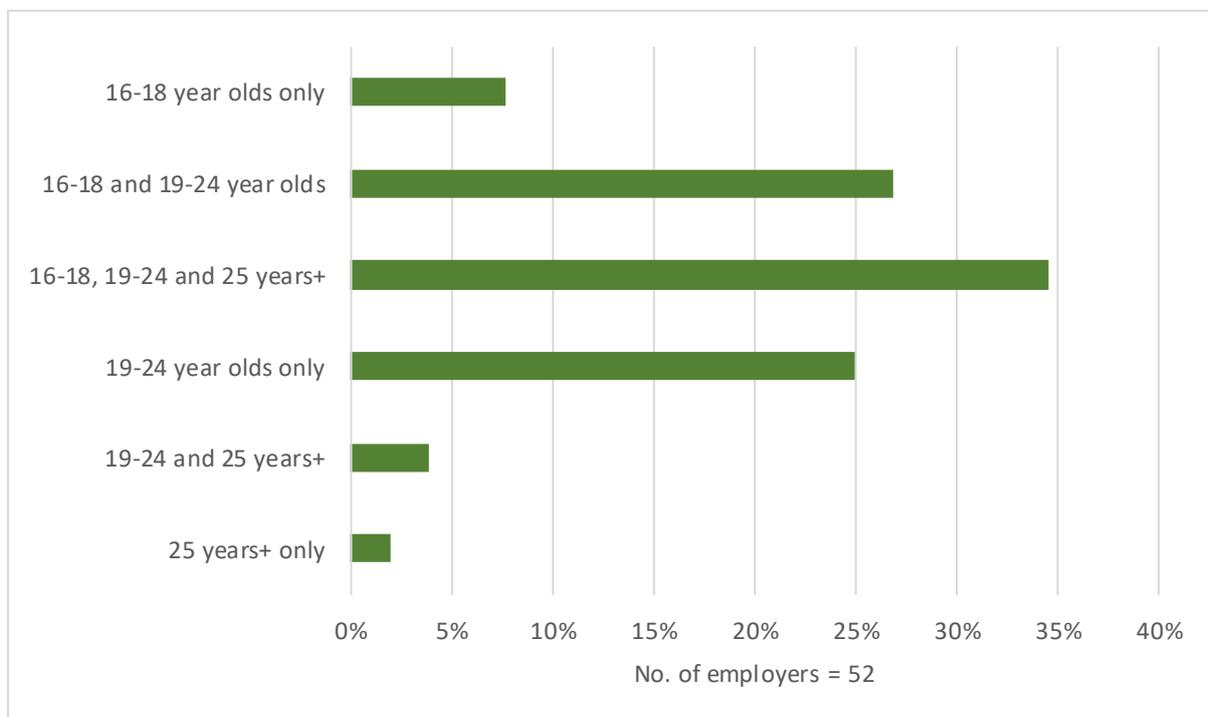
Respondents also mentioned that the subsidised training via the levy (especially for non-levy payers) was attractive as they could get a subsidy of 95%.

2.5. Level 3 Assistant Accountant apprenticeships

2.5.1. Recruitment

Figure 9 shows that Level 3 Assistant Accountant apprenticeships were predominantly concerned with recruiting younger people. Many businesses were not targeting particular age groups with 18 of the 52 employers (35%) offering the Level 3 apprenticeship to all of the age groups. However, most businesses (60%) offered the Level 3 Assistant Accountant apprenticeships to 16-18 and/or 19-24 year olds.

Figure 9 Which age groups do you offer Level 3 Assistant Accountant apprenticeships to?

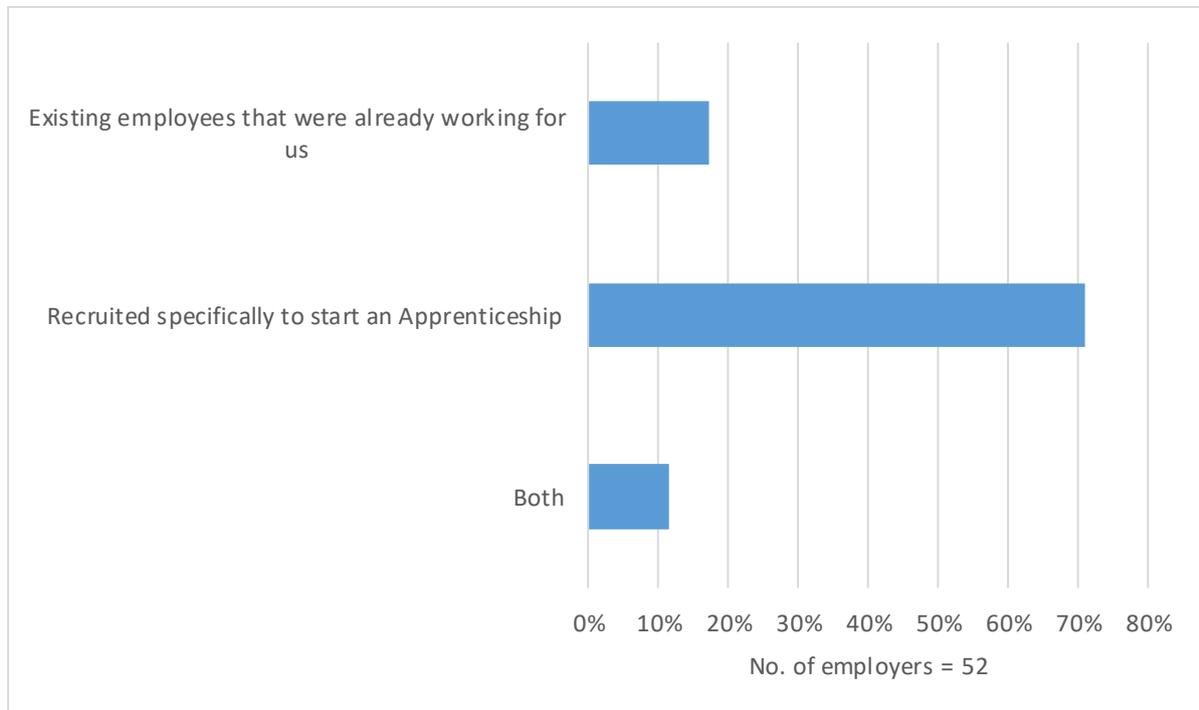


Source: Warwick IER employer e-survey

The Level 3 Assistant Accountant apprenticeship appears to be a key route into accountancy for both younger and older people. Irrespective of the apprentices' ages, most were recruited specifically to start the apprenticeship, rather than offering it to existing employees. Figure 10 shows that almost three quarters of employers (71%) recruited on to the apprenticeship rather than offer it to existing employees. Unsurprisingly, the older the age group the more likely employers were to recruit from existing employees, but this was still a minority of businesses.

Finance and insurance businesses (78%) were more likely to recruit specifically for the apprenticeship compared to other sectors (66%). Levy payers were neither more or less likely to offer it to existing employees.

Figure 10 How were your Level 3 Assistant Accountant apprentices recruited?



Source: Warwick IER employer e-survey

Recruitment to the Level 3 Assistant Accountant apprenticeship: findings from the qualitative survey

For new recruits to the Level 3, most employers rely on their links with local schools and colleges. These links are developed through directly visiting the schools and colleges, liaising with careers advisers and attending careers fairs. Some large employers also held their own apprentice recruitment events where potential recruits are invited to speak to staff and receive a presentation on the company and the job role.

The other major method of recruiting new people is via training providers. The training providers will often advertise the vacancy, sift the applications, invite applicants to a 'mini interview' and then present the business with a handful of people to be interviewed.

Around half of employers never recruited existing staff to the Level 3 Assistant Accountant apprenticeship. When they did it was often as the first progression point for people they had recruited at lower levels, for example, recruiting new recruits on to the Level 2 accounting apprenticeship and progressing them on to the Level 3 when they had qualified. Alternatively, some organisations would recruit people as assistant accountants, provide them with internal training and support, monitor how they performed and then, if appropriate, offer them the Level 3 Assistant Accountant apprenticeship.

For older existing employees, potential recruits would be identified via their PDR or uninvited to apply through an internal call for applicants.

Almost all employers found recruiting apprentices, new or existing, relatively easy. The only difficulties arose when recruiting new entrants in deprived areas (people meeting the minimum entry criteria). One employer complained of the lack of English and maths skills in applicants (they required a grade B in both subjects).

2.5.2. Apprentice pay

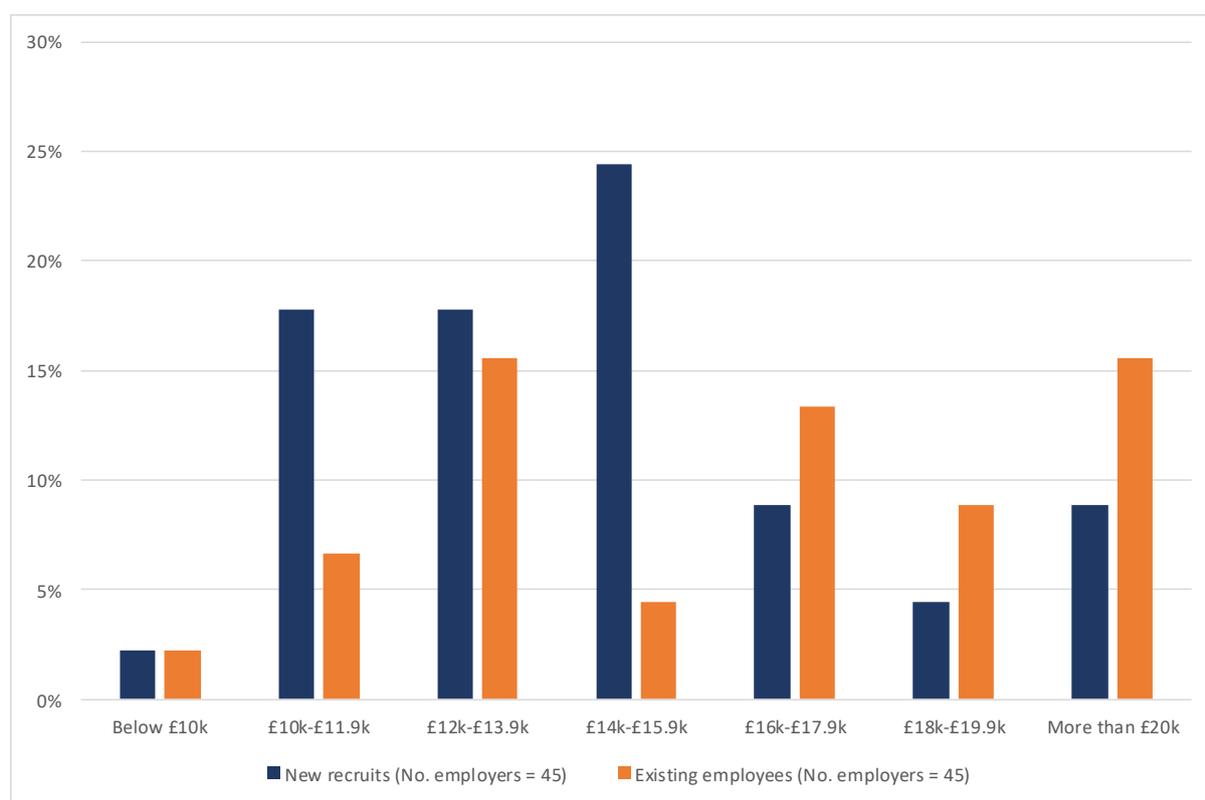
Figure 11 shows that apprentices were paid a range of salaries that are all higher than the minimum wage for apprentices and for people in the age group. By comparison in 2019 the minimum wage for an apprentice is £3.90 per hour which equates to an annual salary of £7,098-£8,122.² Very few employers (2%) paid below £10k per annum. For new recruits, the largest number of employers (24%) paid between £14k-£15.9k. Whilst for existing employees 16% paid between £12k-£13.9k and 16% paid more than £20k.

Kaplan's contract with employers states that employers must pay above the minimum wage.

As pay is often used as a proxy for productivity and labour market demand, this suggests that Level 3 Assistant Accountant apprentices are both productive and sought after.

² This is based on a 52 week year and the range is from a 35 to a 40 hour week. On this basis the minimum wage for those under 18 is £7,917-£8,736; £10,738-£12,792 for 18-20 years; £14,014-£16,016 for 21-24 years olds; and £14,942-£17,077 for those aged 25 or older.

Figure 11 What was the average salary of Level 3 Assistant Accountant apprentices whilst completing the apprenticeship?



Source: Warwick IER employer e-survey

2.5.3. Training provision

As a main source of the sample was Kaplan, it is not surprising that most provision (94%) was delivered by private training providers.

Blended learning was the main delivery mechanism for the off-the-job training component of the apprenticeship, with half of employers mentioning both distance learning and a training centre (predominantly the provider's). One third of employers said off-the-job training was delivered wholly at an external provider's training centre.

Recruitment of training providers: findings from the qualitative survey

For most employers the choice of training was historical, they had used the provider before and had no need to change. Some (mostly larger) organisations undertook formal tendering or procurement exercises either on a needs basis or in order to generate preferred supplier lists more generally. This tended to be undertaken by HR or the organisation's procurement teams. Firms spoke about using pass rates, the content of the programme, cost, the tutors and the location of the training centre as evaluation criteria in the tendering process. One employer retenders their training contract on a biannual basis whilst another always used two providers so they could compare performance.

A minority of businesses felt that there was a lack of choice either within their particular local area or nationally, and so they were limited to which providers they could use. This wasn't a criticism of the provider. For example, for some large organisations wanting the same provider across all of their offices there are only a small number of providers with national coverage.

Word of mouth was also used by some employers. They either spoke to their existing apprenticeship graduates or got recommendations from other businesses.

Virtually all employers said that it had been straightforward finding a training provider. Four employers had recently changed provider and had found this process relatively easy.

2.5.4. Apprenticeship progression

Of those apprentices who started their Level 3 Assistant Accountant apprenticeship since April 2017 (1,136 from 45 employers) the large majority have completed it, or are likely to do so (see page 25). Table 2 shows that just under one third have completed the apprenticeship (31%) with a further 9% having to complete the diploma. Most (39%) had not completed the diploma or EPA but are likely to complete both.

Table 2 Of those who have started the Level 3 Assistant Accountant apprenticeship since April 2017, how many have...?

Number of employers=45	No. of apprentices	% of apprentices
Completed the EPA	348	31%
Completed Diploma but not the EPA	107	9%
Not completed the Diploma nor EPA, but likely to complete both	448	39%
Will not or unlikely to complete the apprenticeship	91	8%
Don't know	142	12%
Total	1,136	100%

Source: Warwick IER employer e-survey

The large majority of apprentices are retained by organisations after completion as Table 3 shows. Of the 36 employers who had apprentices complete the EPA, 28 or four out of five employers (78%) said that all of these apprentices are still employed by their organisation. This accounts for 294 or 84% of all apprentices who had completed their EPA. Only 8 (22%) employers said that only some are currently employed, this translates into 16% of apprentices, some of whom would have left the organisation.

Of the eight employers who had seen apprenticeship graduates leave, most (6 or 75%) said that apprentices had left of their own accord.

Table 3 Of those who completed the EPA since April 2017...

	No. of employers	No. of apprentices	% of apprentices
All are still employed by our organisation	28	294	84%
Some are still employed by our organisation	8	54	16%
Total	36	348	100%

Source: Warwick IER employer e-survey

Table 4 shows that apprenticeships fulfil their primary role for employers, that of recruiting new staff to fill assistant accountant positions. According to respondents, only four apprentices have left their organisation. Of the large majority who remain, just under half (49%) have been promoted to a full assistant accountant post and half are likely to be promoted.

Table 4 Of those who completed the EPA since April 2017, how many...

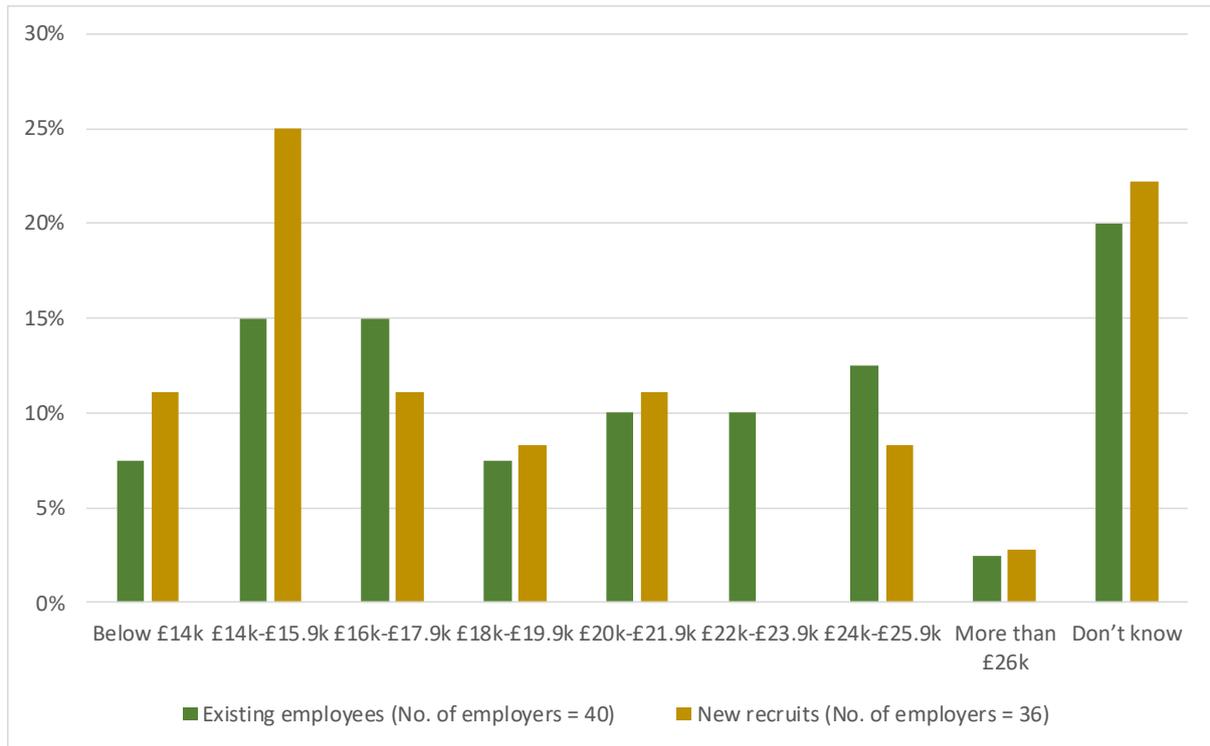
No. of employers=19	No. of apprentices	% of apprentices
Have been promoted to a full assistant accountant post	269	49%
Will be promoted to a full assistant accountant post	271	50%
Have left the organisation	4	1%
Total	544	100%

Source: Warwick IER employer e-survey

Table 2 to Table 4 show that the large majority of Level 3 Assistant Accountant apprentices complete (or will complete) their apprenticeships, and once having graduated very few leave. Almost all of these apprentices fulfil the role that they have been recruited and trained for.

For new recruits completing the apprenticeship and becoming an assistant accountant, they can expect to receive £14k-£15.9k per annum (see Figure 12). For existing employees the pay range is broader at £14k-£17.9k per annum. However, around one in five employers did not know the average salary.

Figure 12 For those becoming a full assistant accountant, what will their average starting salary be?



Source: Warwick IER employer e-survey

Table 5 shows that for existing employees, and new recruits especially, completing the apprenticeship increases the individual's wages. This is likely to underestimate the effect as the wage bands at the bottom and top of the range have been compressed in some of the questions³. Almost two thirds of employers (62%) reported that newly recruited apprentices increased their salary wage band on completion. For 23% of new recruits this was by one wage band, but for 38% it was by two or more.

The wage premium for existing employees was less with just over half of employers (54%) reporting that Level 3 apprentice graduates would increase their wage band. But for those who did, the wage premium was greater with 21% of employers increasing earnings by 3 wage bands or more.

³ This groups the apprentice wage bands of £10k-£11.9k and £12k-£13.9k with the assistant accountant wage band of below £14k. Similarly, assistant accountant wage bands of £20k-£21.9k, £24k-£25.9k and more than £26k are grouped together with the apprentice wage band of more than £20k.

Table 5 Of those who completed the EPA since April 2017, how many...

	New recruits		Existing employees	
	No. of employers	%	No. of employers	%
Stayed at the same wage band	10	38%	13	46%
Increased wage band, of which:	16	62%	15	54%
1 band	6	23%	7	25%
2 bands	5	19%	2	7%
3 or more bands	5	19%	6	21%
Total	26	100%	28	100%

Source: Warwick IER employer e-survey

2.6. Perceptions of apprenticeship reforms

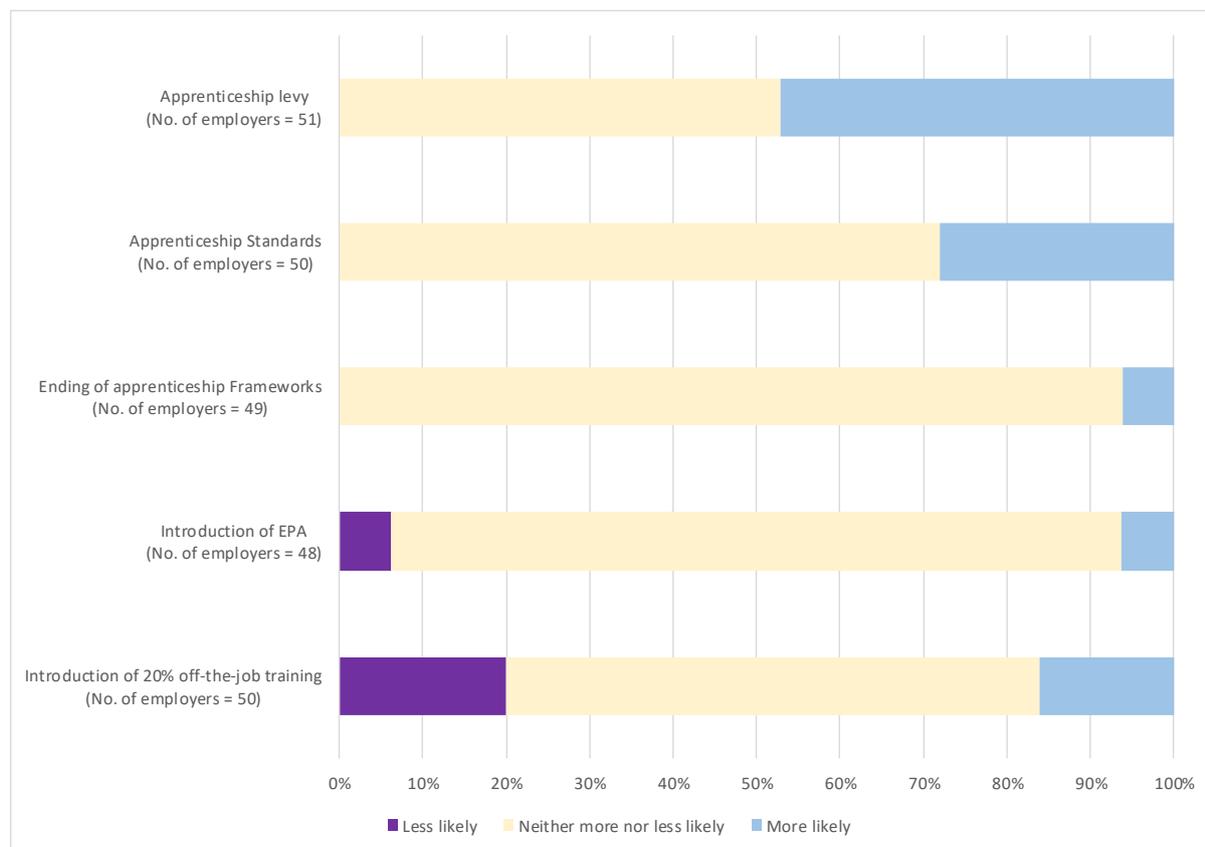
In April 2017 a suite of apprenticeship reforms were introduced: the apprenticeship levy; replacing Frameworks with Standards; the EPA; and mandatory 20% off-the-job training.

This guidance has evolved and was strengthened in 2018 and again in 2019 and it may be that some employers have not adjusted to these changes. Employers were asked whether these had impacted on their decision to recruit apprentices, Figure 13 presents the responses:

- The introduction of the **apprenticeship levy** had made it more likely that employers would recruit apprentices, 47% said it had made them more likely which is the highest response across the various reforms. Not surprisingly levy payers were much more affected by this with 62% saying more likely.
- The introduction of **apprenticeship standards** had a neutral effect across most businesses with 72% saying 'neither more or less likely'. Similarly, moving from Frameworks to Standards (the Level 3 accountancy apprenticeship framework will end in July 2020) had a neutral impact on recruiting apprenticeships.
- The introduction of **EPA** was largely neutral with small numbers of employers registering an impact.
- The largest negative impact was caused by the introduction of the **20% off-the-job training**. One in five employers (20%) said it was likely they would recruit fewer Level 3 apprentices as a result, with 16% saying this had made them more likely. But most businesses (64%) registered a neutral impact. Levy payers (27%) were more likely to report a negative impact of the 20% off-the-job training.

The introduction of the apprenticeship reforms had had little impact on employers' other training with 80% saying that it had no impact. 20% of businesses said it had impacted on other skills training but 18% said this had been positive, increasing other skills training.

Figure 13 Have the apprenticeship reforms introduced in April 2017 made it more or less likely that you would recruit Level 3 Assistant Accountant apprentices?



Source: Warwick IER employer e-survey

Impact of apprenticeship reforms: findings from the qualitative survey

In the qualitative interviews, employers spoke predominantly about the impact of the apprenticeship levy. Its impact depended on whether the organisation was a levy payer or not.

For **non-Levy payers** its introduction had no discernible effect on most businesses. Employers said their decision to recruit apprentices was based on whether there was a business need, and their capacity to manage apprentices. In addition, for some the Level 3 Assistant Accountant apprenticeship was an industry standard. Some organisations said that their apprentice decision making was based on business need, but the introduction of the levy now made apprentices much more attractive because they now pay £400 for a programme costing up to £8,000. The employer also has to pay exam and registration fees and pay for wages for the 20% OTJ time.

For **Levy payers** the levy has led almost all of them to increase the number of apprentices. In some cases there was an explicit desire to maximise their levy spend: *“We have been positively encouraged to recruit apprentices. In part to spend the levy but also because of a more strategic approach to workforce development. [The organisation] did a whole review when the reforms came out and there was a big push to identify skills gaps and workforce*

development to spend the levy". In other cases the levy did not necessarily provide a push for apprentice recruitment, but it did reduce the cost barriers of people wanting to recruit an apprentice.

For both levy and non-levy payers a big impact was the creation of the Level 7 accountancy standard meaning that apprentices could now be trained up to Chartered Accountant status. This has prompted some firms to take on apprentices at Level 7.

The views of levy and non-levy payers on the impact of the 20% off-the-job training (OTJ) was both mixed and muted. Few businesses said that the 20% OTJ requirement had a negative impact on recruitment, whilst some said it has had a positive effect.

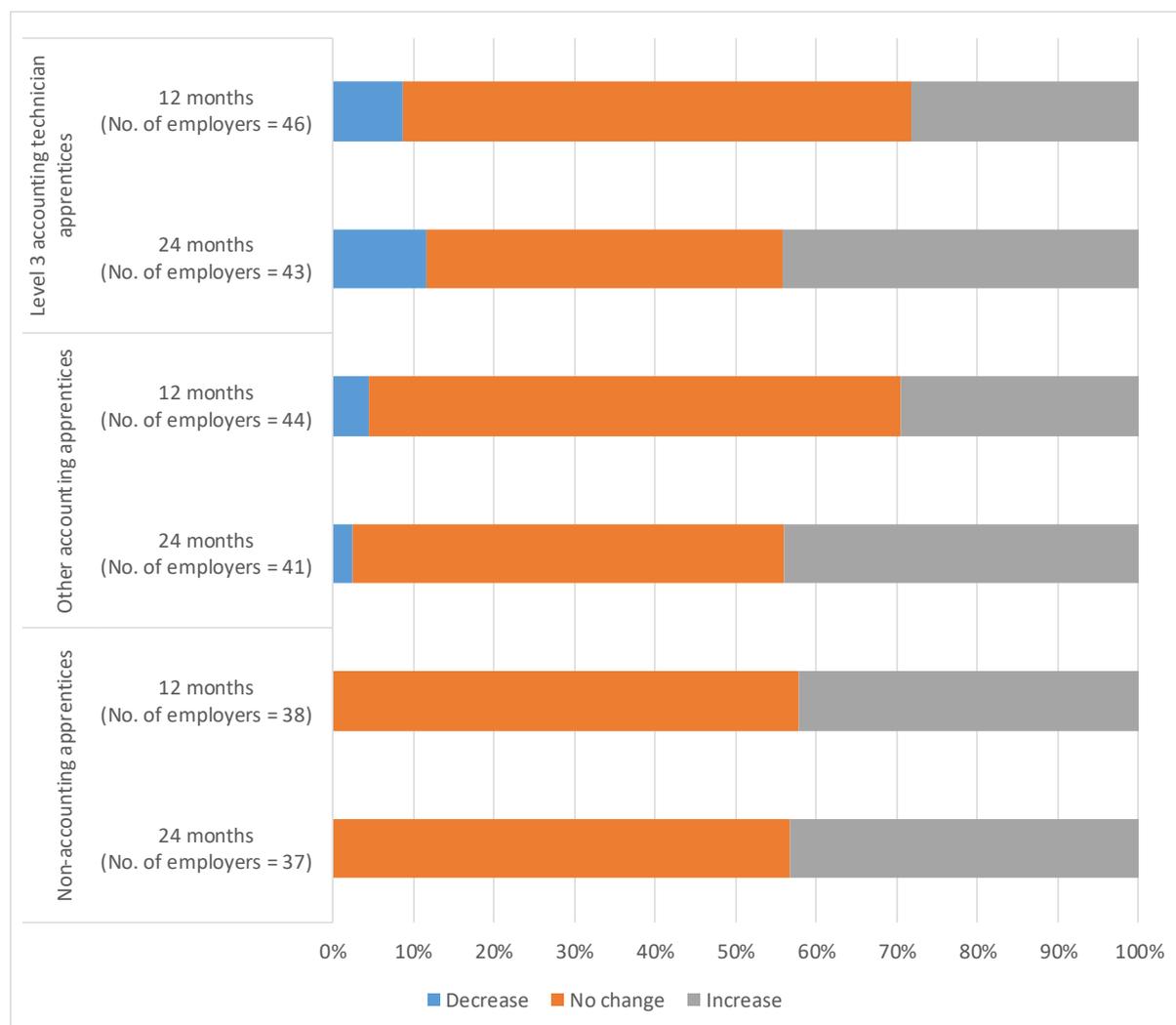
There was little substitution effect from the levy i.e. employers were not reducing their spend on other training in order to take advantage of subsidised training (for non-Levy payers) or to maximise their levy spend (for Levy payers). Business need and needing to train people to industry accepted standards were the main drivers. In one case, spend on other training had increased because the organisation had seen the benefits of staff training. For two levy payers there had been a concerted effort to maximise their levy spend and identify which training could now be switched to apprenticeships.

It appears that both Levy and non-Levy payers have developed their workforce 'strategies' over time. This is mostly based on recruiting 'entry' level accountants at Level 3 (mostly school leavers) and then progressing them to higher levels in the accountancy profession, especially to Level 7 where the most lucrative day rates could be charged. The Level 3 Assistant Accountant apprenticeship was an industry standard, and the apprenticeship brand was attractive to new recruits. Therefore in most cases, as this approach was more or less set, the introduction of the reforms has had little impact on apprenticeship recruitment. Business growth and the demands it places on the workforce are the main drivers for apprenticeship recruitment.

Figure 14 shows that across all the different types of apprentices – Level 3 Assistant Accountant, other accounting and non-accounting – employers, on balance, are likely to increase apprenticeship recruitment:

- Over one quarter of employers (28%) said that the recruitment of **Level 3 Assistant Accountant apprentices** is likely to increase in the next 12 months, and almost half (44%) said it would increase in the next 24 months. Recruitment intentions were similar across different types of business.
- There were similar recruitment plans for **other accounting apprentices**, with a similar profile of responses for 12 and 24 months.
- Similar proportions of employers (58%) were planning to increase the recruitment of non-accounting apprentices in the next 12 and 24 months.

Figure 14 How do you expect the number of apprentices to change in the next 12 and 24 months – by type of apprenticeship offered?



Source: Warwick IER employer e-survey

2.7. Employer apprenticeship benefits and costs

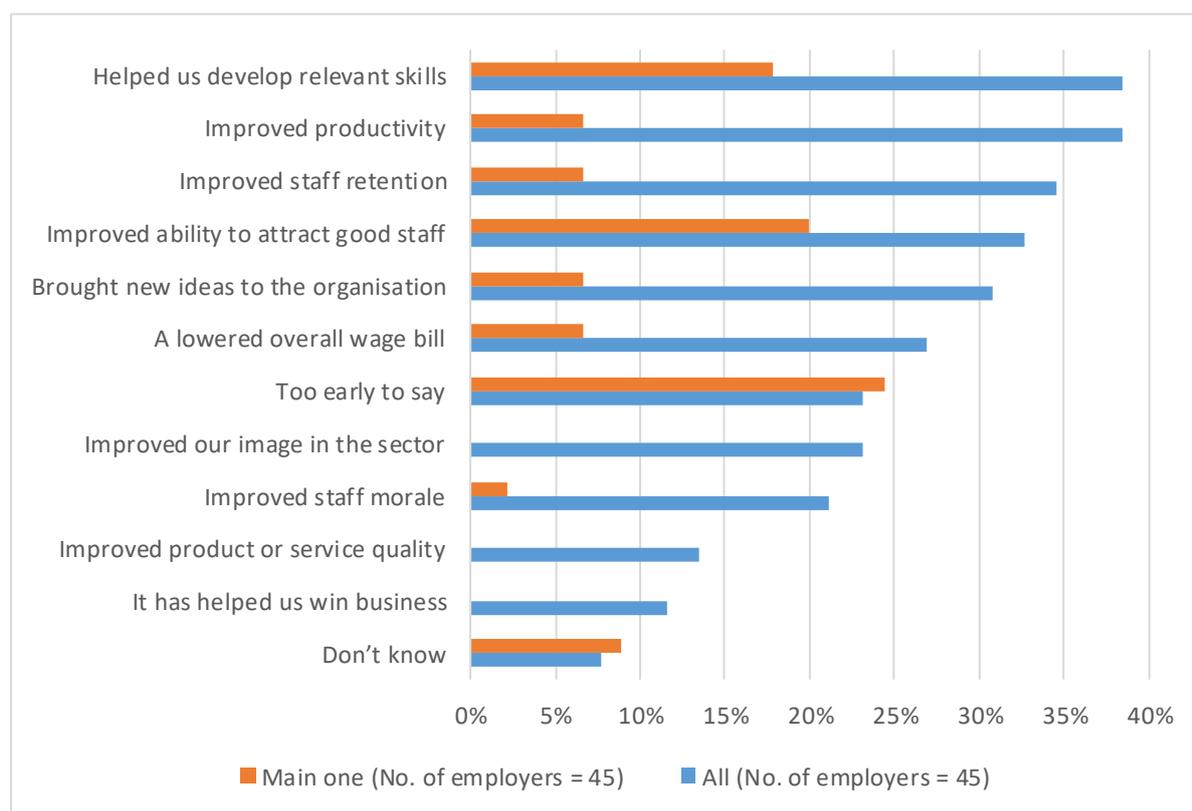
A key reason why virtually all employers in the sample want to increase, or at least maintain, their apprenticeship recruitment are the number of benefits it brings. Employers were asked to identify (from a pre-selected list) which benefits accrued to their organisation from offering and training apprentices. The 52 employers responding to this question identified a total of 134 benefits, almost an average of three per employer.

When asked to identify the full range of benefits, the two main benefits (see Figure 15) identified by 38% of employers were ‘developing skills relevant to the organisation’ and ‘improved productivity’. ‘Staff retention’ (35%), the ‘ability to attract good staff’ (33%), ‘bringing new ideas’ (31%) and a ‘lower wage bill’ (27%) were benefits identified by over a quarter of employers.

When asked to identify the main benefit, most employers (24%) said it was too early to say. One in five employers (20%) said it was the ability to attract good staff and 18% said it helped them to develop skills relevant to the organisation.

Non levy payers (i.e. smaller employers) were the most likely to highlight the benefits attracting good staff and a lower wage bill. Levy payers most often mentioned staff retention and developing skills. Finance and insurance employers most often mentioned bringing new ideas to the organisation and the ability to attract new staff whilst other firms most often said that it was too early to say.

Figure 15 Which if any of the following benefits has your organisation experienced as a result of offering and training apprentices?



Source: Warwick IER employer e-survey

Benefits of apprenticeships: findings from the qualitative survey

Once again, for most employers, apprenticeships were discussed in terms of a progression pipeline whereby new recruits (and some existing employees) could be trained from Level 3 through to Level 7 where levels of productivity and profitability were highest. There were three key elements within this:

- the nature of the apprenticeship meant that staff could be developed in the ethos and ways of working of the organisation, making the training business relevant;
- the Level 3 Assistant Accountant apprenticeship provided the right skills for the work apprentices undertook whilst training, as well as a basis for progression within the suite of qualifications (typically Level 4 and then Level 7) that the standards now provided;

- investing in young people and in their development increased retention and progression rates meaning that staff were likely to develop within that business to higher levels of qualification and work.

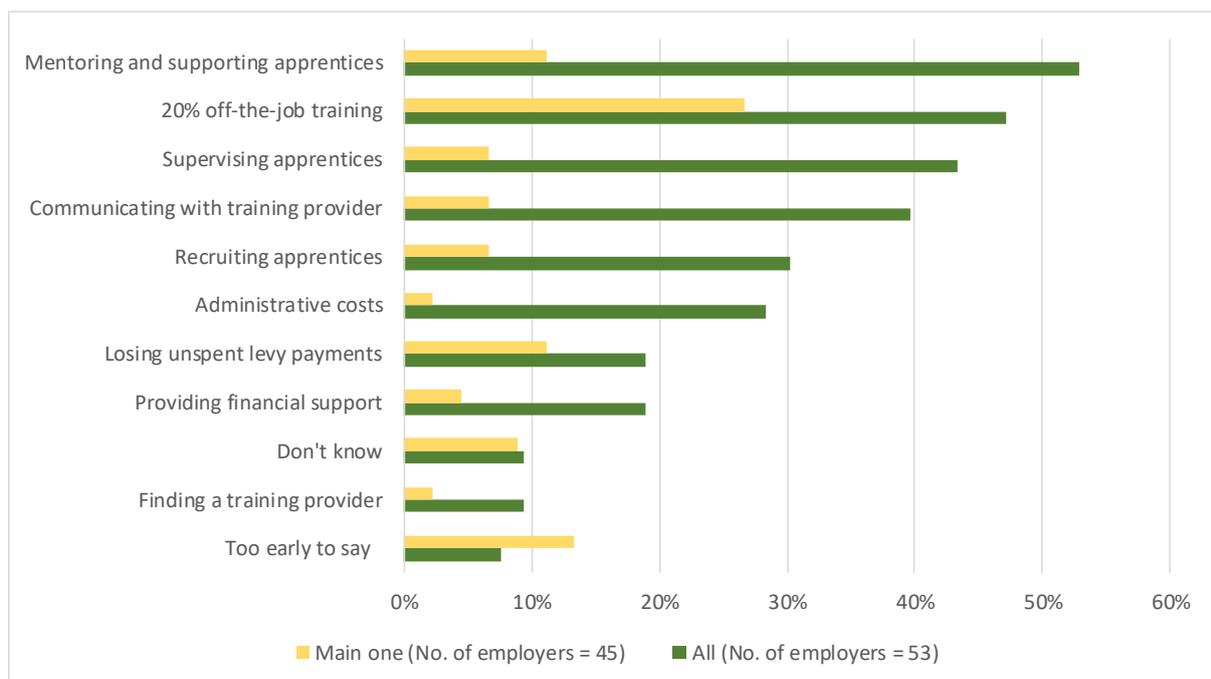
Three employers did mention that the introduction of the levy also reduced cost barriers, either by reducing the cost of the training (for non-Levy payers) or making resources available (for Levy payers).

There were also a number of costs associated with employing apprentices as Figure 16 shows. Most employers (53) identified 162 costs which is more than three discrete costs per employer. When provided with a pre-selected list and asked to list all of the costs over half of employers 53% mentioned costs associated with mentoring and supporting apprentices. Just under half (47%) said the costs due to apprentices not working whilst undertaking 20% off-the-job training. Forty three per cent of employers identified costs associated with supervising apprentices, and 40% mentioned the costs of communicating with the training provider.

When asked to identify the main cost of employing apprentices, just over a quarter (27%) said costs due to apprentices not working whilst undertaking 20% off-the-job training. Thirteen per cent said it was too early to say, and 11% mentioned losing unspent levy payments.

Finance and insurance businesses were more likely to highlight mentoring and support costs, whilst other firms were more likely to mention 20% off-the-job training. Non levy payers (i.e. smaller firms) were most likely to say the costs of mentoring and supervising, and 20% off-the-job training. Levy payers were more likely to highlight losing their levy payments.

Figure 16 Which if any of the following costs has your organisation experienced as a result of offering and training apprentices?



Source: Warwick IER employer e-survey

Costs of apprenticeships: findings from the qualitative survey

Employers in the qualitative survey agreed with those in the e-survey identifying supporting and supervising apprentices, and 20% off-the-job training as the main costs to them.

The costs of the 20% off-the-job training were that apprentices could not be undertaking charged work while they were training. This was most keenly felt where there were several apprentices in the same workplace or department. However, most employers took this into account when making decisions about recruiting apprentices. Many employers had been recruiting apprentices for many years and off-the-job training was part and parcel of that. So whilst it was a cost it had already been factored in.

Mentoring, supporting and supervising apprentices was also a main cost but this did not appear to be a major concern. In some cases it did not take up much of a manager's/supervisor's time, less than 10% in most cases. Supervision and support was also seen as a key element in providing apprenticeships and so people's time for this had also been factored in.

Do apprenticeship benefits outweigh costs: findings from the qualitative survey

Overwhelmingly, employers said that the benefits of apprenticeships outweighed the costs, and often by a significant amount. Only two employers said costs were greater than the benefits.

Whilst employers reported that apprenticeship costs are 'not inconsiderable', they also said that the benefits of apprenticeships are considerable. This is due to the high retention and progression rates ("It does not take someone long to become very valuable.") but primarily the acquisition of technical and generic skills acquired through the apprenticeship model: *"It is better to have people who have trained with us as they are knowledgeable of the business and the practical side of things, which is not something you can learn in college alone"*.

2.8. Conclusion

The decision to recruit apprentices is usually taken at the highest levels within the organisation, is directly related to workforce needs and is undertaken on an annual basis. Primarily, employers see the Level 3 Assistant Accountant apprenticeship as job entry, it is used to recruit new staff, particularly younger people. Few employers train existing employees at this level most apprentices are recruited from outside the organisation. The Level 3 apprenticeship is viewed by most employers as the first step in a progression pipeline and is their main apprenticeship they offer.

There are high success and post-apprenticeship retention rates. The large majority of employers pay well above the minimum apprenticeship wage. Level 3 graduates can expect to see their salary rise on completion by at least £2,000.

The introduction of the apprenticeship reforms in April 2017 has had little impact on recruitment. In fact the reverse has happened. The introduction of the levy has increased apprenticeship recruitment especially amongst levy payers as they are seeking to spend their levy. Most of the apprenticeship reforms have had a neutral impact in apprentice recruitment as workforce needs (in the context of expanding businesses) is the main driver. An important impact has been the introduction of the Level 7 accountancy standard as this now provides a complete pipeline from job entry up to Chartered Accountancy status.

The main benefits of the Level 3 Assistant Accountant apprenticeship are the development of skills, increased productivity, improved staff retention and the ability to attract good staff. The apprenticeship enables employers to train people in the right skills, ethics and culture for their organisation, develop and deliver the right skills for the job and as a basis for progression, and assists in recruiting younger people who can progress to higher levels.

The main costs are the time given to mentoring, supporting and supervising apprentices, and the 20% off-the-job training when apprentices cannot undertake charged work.

However, the large majority of employers believe that benefits outweigh the costs.

3. Survey of apprentices and diploma learners

3.1. Introduction

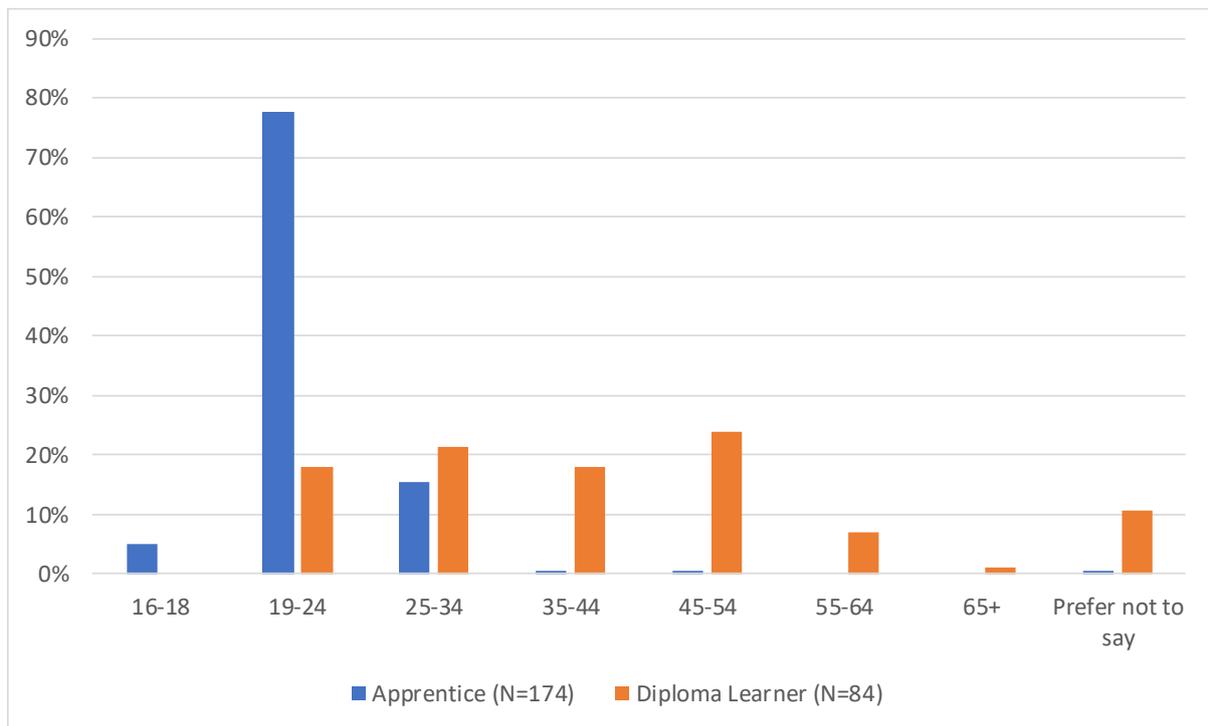
An e-survey was also undertaken of Level 3 Assistant Accountant apprentices, and learners who undertook the Advanced Diploma in Accounting (the qualification which underpins the Advanced apprenticeship). The survey asked apprentices and diploma learners about their reasons for undertaking the training, their position before starting the training, their experiences, training costs and benefits, and progression.

The apprentices and diploma learners were employed by a range of businesses, and used different training providers.

3.2. Characteristics of apprentices and diploma learners

A total of 174 apprentices and 84 diploma learners completed the e-survey. There is a considerable difference in the ages of apprentices and diploma learners as Figure 17 shows. In the e-survey, apprentices are much younger with almost four out of five (78%) aged 19-24, 16% aged 25-34 and 5% aged 16-18. Almost a quarter of diploma learners (24%) are aged 45-54, one in five (21%) aged 25-34 and a further 18% aged 35-44. The age profile of both apprentices and diploma learners in the e-survey and qualitative interviews was almost identical.

Figure 17 Age of apprentices and diploma learners



Source: Warwick IER apprentice and diploma learner e-survey

Diploma learners e-survey respondents were more likely to be female (79%) than apprentices (51%). Compared to the e-survey, apprentice respondents in the qualitative interviews were

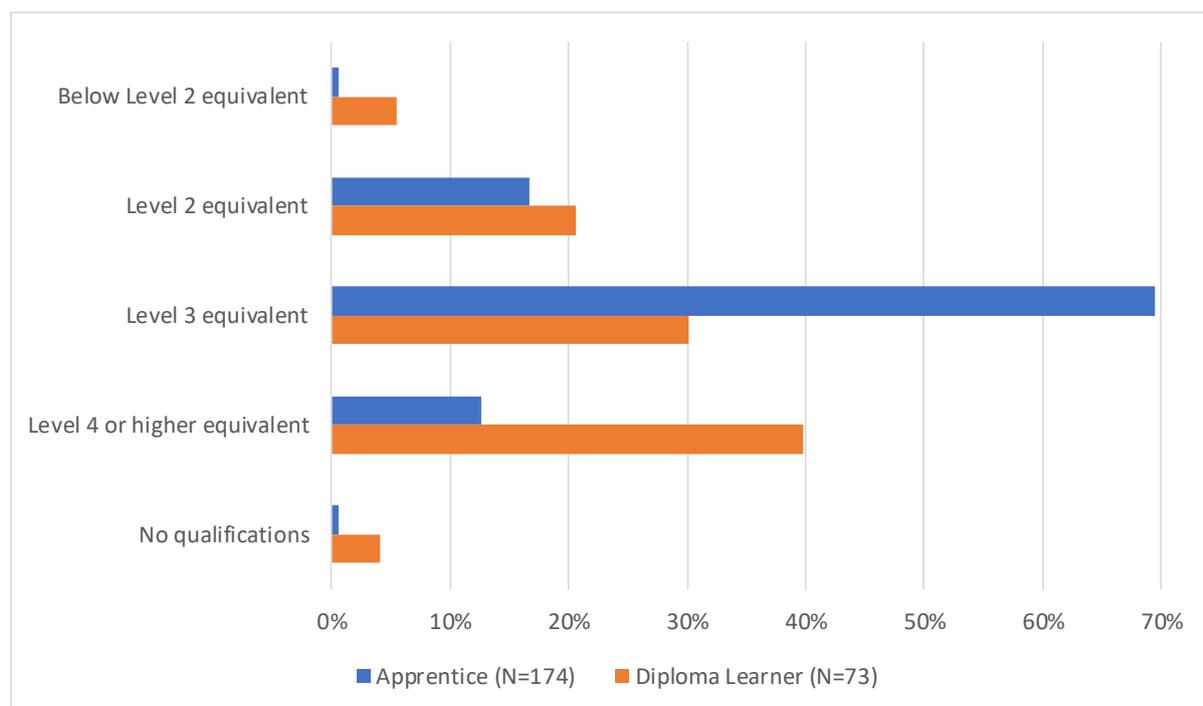
more likely to be female whilst diploma learner qualitative respondents were more likely to be male. Two thirds of both apprentice and diploma learner qualitative respondents were female. Diploma learners (19%) were more likely to be of Black and Minority Ethnic (BAME) origin than apprentices (12%). Qualitative interview respondents were more likely to be of BAME origin.

Around one in ten of apprentices (9%) and diploma learners (11%) were disabled. Just under half of disabled apprentices (47%) said their disability did not reduce their ability to carry out day-to-day activities. Almost all disabled apprentices and diploma learners declared their disability to their employer or apprenticeship provider. Qualitative interview respondents were less likely to be disabled.

There was a broad geographic spread of both apprentices and diploma learners in the e-survey. Diploma learners were more likely to be resident in London and the South East (27% compared to 13% of apprentices, and the West Midlands (19% and 13%). Apprentices were more likely than diploma learners to live in Yorkshire and the Humber (25% compared to 14%) and the East Midlands (16% and 6%).

Figure 18 shows that in the e-survey, over two thirds of apprentices (70%) are qualified to Level 3 qualifications (equivalent to 2 A levels). Diploma learners hold a variety of qualifications with some having no qualifications or qualifications below Level 2 (5%). Forty per cent of diploma learners are qualified to Level 4 or higher, mostly holding first degrees. The qualifications of apprentices in the e-survey and qualitative interviews were similar. However, diploma learners completing the qualitative interviews were more likely to be qualified at Level 4 and above.

Figure 18 Highest qualification of apprentices and diploma learners



Source: Warwick IER apprentice and diploma learner e-survey

Almost all apprentices (97%) in the e-survey had achieved A-C* GCSE in English and Maths, compared to 71% of diploma learners. Fourteen per cent of diploma learners had neither English nor Maths at this level, 10% had only English and 5% had only Maths. Older diploma learners (aged 35+) were the least likely (63%) to hold A-C* GCSE in English and Maths.

Apprentices and diploma learners in the e-survey were at different stages in completing their training programmes as Table 6 shows. Around one third (32%) of both apprentices and diploma learners had completed their apprenticeship or diploma. A further 10% of apprentices had completed the qualification but not the EPA and 53% of apprentices had not completed but were likely to. Only one respondent said they would not complete their training programme. E-survey and qualitative interview respondents were very similar in how many had completed the programme.

Table 6 Of those who completed the EPA since April 2017, how many...

	Apprentices		Diploma learners	
	Number	%	Number	%
Completed the training programme	56	32%	27	32%
Completed qualification but not EPA (apprentices only)	18	10%	-	-
Have not completed but likely to do it	92	53%	57	68%
Will not complete	1	1%	0	0%
Don't know	7	4%	0	0%
Total	174	100%	84	100%

Source: Warwick IER apprentice and diploma learner e-survey

3.3. Situation before starting the apprenticeship and diploma

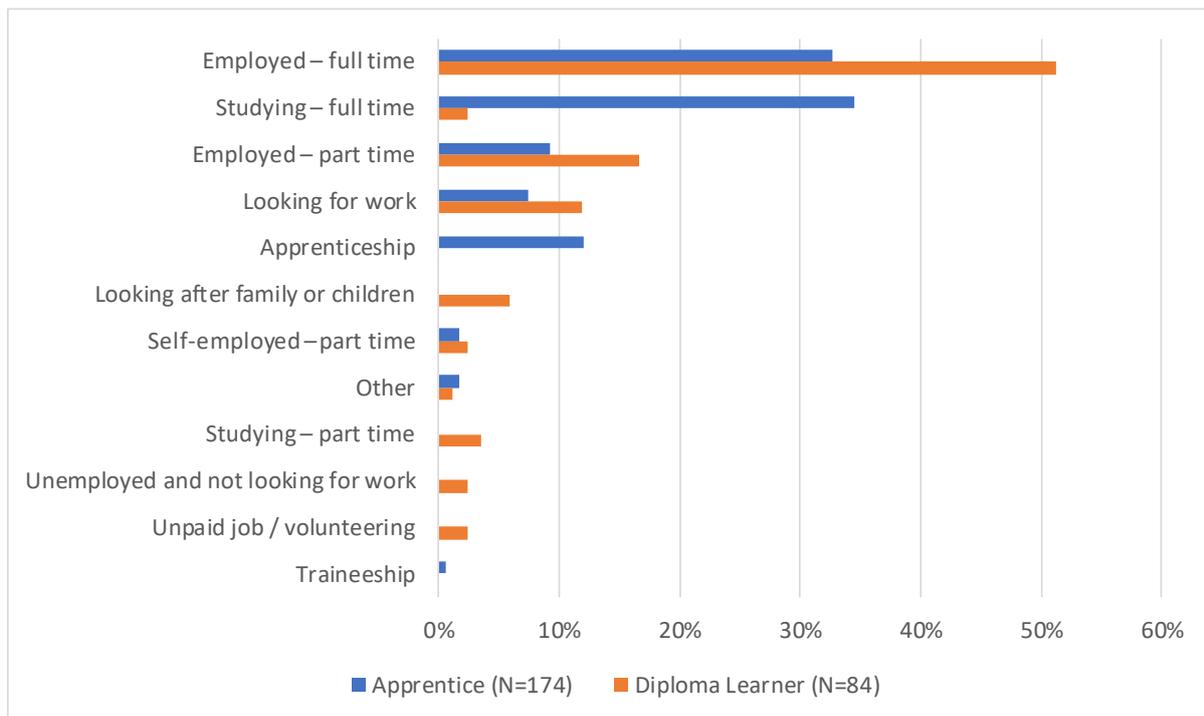
In the following sections, all commentary, figures and tables in the green boxes refers to apprentices and diploma learners involved in the qualitative interviews. Everything else is based on the e-survey.

Figure 19 shows that the routes into the respective programmes are different for apprentices and diploma learners. Whilst diploma learners were in employment (68%, predominantly full-time employment), most apprentices had been in education or training with one third (34%) studying full-time or been on another apprenticeship (12%), and virtually all of these apprentices were aged 16-24. Forty two per cent of apprentices had been working (mostly in full-time employment), two thirds of whom were aged 19-24. This reflects the nature of the two programmes, rather than the age profiles of apprentices and diploma learners, as two thirds of diploma learners aged 19-24 are in employment before starting the diploma.

Diploma learners who were working were asked for details of their job immediately before they started their studies. Two thirds (67%) of the 60 diploma learners who were in employment before studying for the diploma were either in an accountancy job (28%) or in a job similar to accountancy (38%) such as finance. Just over one quarter of diploma learners (27%) worked in an occupation or sector that was not accountancy or related.

Two thirds of diploma learners (65%) were working for their current employer compared to one third of apprentices (33%). Of the 76 apprentices that were employed prior to their apprenticeship most (55%) were not employed by their apprenticeship employer suggesting that apprenticeships are an effective recruitment mechanism. Of the 59 diploma learners almost four out of five (78%) were working for their current employer suggesting that the diploma is more of a job progression tool.

Figure 19 Position prior to undertaking the apprenticeship/diploma



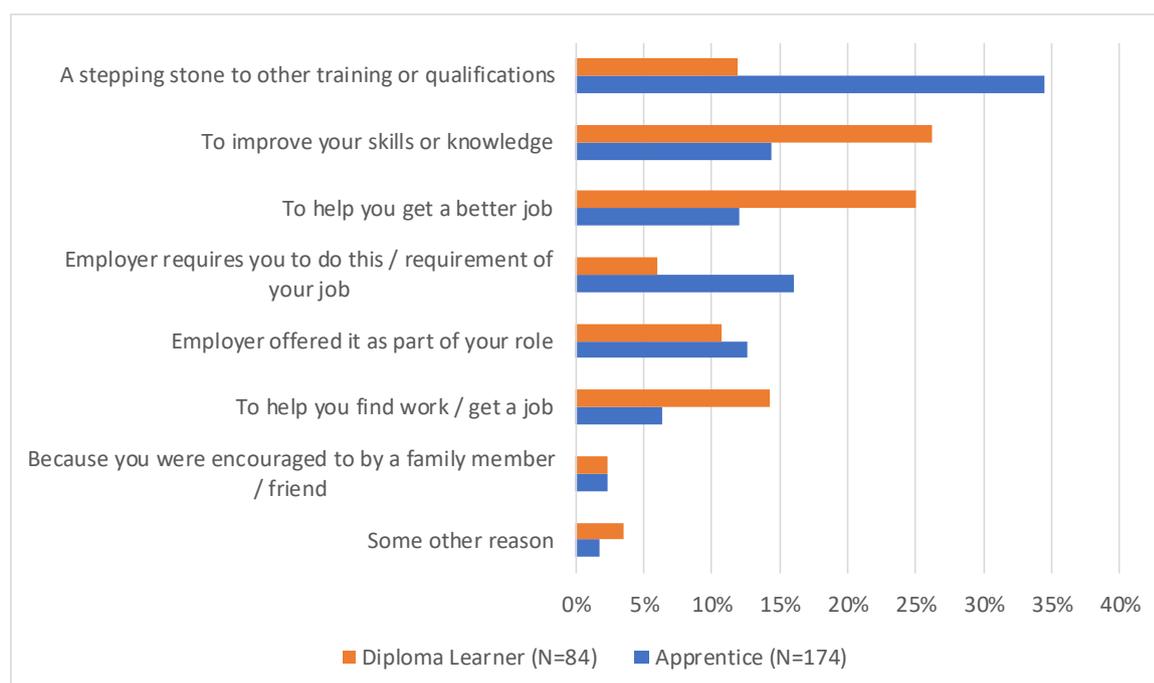
Source: Warwick IER apprentice and diploma learner e-survey

3.4. Undertaking the apprenticeship and diploma

The **reasons for starting the training programme** varied between apprentices and diploma learners as Figure 20 shows. For apprentices, the main reason for starting the apprenticeship was as a stepping stone to other and training and qualifications (34%), this was stated more by younger apprentices (aged 16-24) suggesting that the apprenticeship is a mechanism for bringing young people into the sector as a starting point in a progression pathway. Older apprentices were more likely to say they were offered the apprenticeship by their employer as part of their job role or to improve their skills and knowledge suggesting that for older workers the apprenticeship is more of a development tool.

Diploma learners were most likely to say that they wanted to improve their skills and knowledge (26%) or to help them get a better job (25%). Diploma learners already working in accountancy or similar jobs were more likely to see the diploma as a means of improving their skills or knowledge within an existing accountancy or similar job. Whereas those that came from outside the sector viewed the diploma as a way of them getting a better job.

Figure 20 What is the main reason for starting the apprenticeship or diploma



Source: Warwick IER apprentice and diploma learner e-survey

Awareness of apprenticeships and the diploma prior to starting: findings from the qualitative survey

Apprentices

Most apprentices (around two thirds) knew very little about the apprenticeship before they started. The remainder were equally split between those who said they knew a small amount, and those who had researched this option.

The main reason for this varied according to the age of the apprentice. Younger apprentices tended to apply for the accountancy *job* to which training was attached, although many were not aware that the training involved an apprenticeship. Younger people were primarily attracted to beginning a career in accountancy. In the main they looked for accountancy jobs through online vacancy websites, and then were made aware that these involved a training element. Their main source of advice came from their families (and some friends), some of whom made them aware of accountancy vacancies (for example, they worked for the company).

Some young people were aware that there was a qualification structure within the profession and found this attractive. The ability to work and study at the same time also appealed to younger people.

For younger people, the accountancy apprenticeship provided an alternative to university. Some younger people had considered non-accountancy apprenticeships, but mostly the main other option they considered was HE.

Older people (aged 25+) tended to be already in employment. The employer was the main source of information about the apprenticeship opportunity (they invited the individual to

apply), and the only source of information the apprentice consulted. Most apprentices were not considering other job or training opportunities at the time they considered starting the apprenticeship. Older apprentices were attracted to the apprenticeship because it offered them a chance to progress in their jobs, and also because it allowed them the chance to progress to becoming a Chartered Accountant.

Most apprentices had found it easy or straightforward to get an apprenticeship. A small number did find it a challenge putting their application together and going through what could be several interview phases (for example, application, online test, assessment centre and interview). Some apprentices found it easy to get an apprenticeship place but more difficult to find an employer to work for.

Diploma learners

The journey to beginning studying the diploma was more complex for diploma learners as most of them were aged over 25. There were two main trajectories underpinning the decision to undertake the diploma. Many diploma learners were already working in a finance or administrative role that involved some accountancy practices (e.g. bookkeeping). The diploma was therefore a route to providing them with the skills and competencies to undertake their jobs more effectively. In many cases, on completion, diploma learners would then move over into a more formal accountancy role.

Most other diploma learners were working in jobs unrelated to accountancy, and wanted to move into the profession, and the diploma was seen as an attractive option in terms of pay and career progression.

For both these groups of learners, the diploma was seen as the qualification which accredited their accountancy skills.

Those seeking to move into the accountancy profession did know a lot about the diploma prior to starting. This was because it was a substantial investment of their time and money, and so they needed to make an informed decision. They tended to seek information and advice from friends and family, especially those with their own families because of the commitment the diploma involved. It was also the case that many of these diploma learners had already undertaken the Level 2 qualification, and then progressed on to Level 3 to improve their qualifications and job prospects. These learners often spoke to the Level 2 provider about the benefits and implications of undertaking the Level 3 diploma.

For those already undertaking some accountancy functions in their current roles, colleagues and employers were the main sources of information and advice. Often the diploma seemed the obvious option to support the skills required in the work they were doing.

Unlike apprentices, very few diploma learners were considering other options to develop their careers.

All diploma learners said it was easy to get a place, for some this was a progression from Level 2.

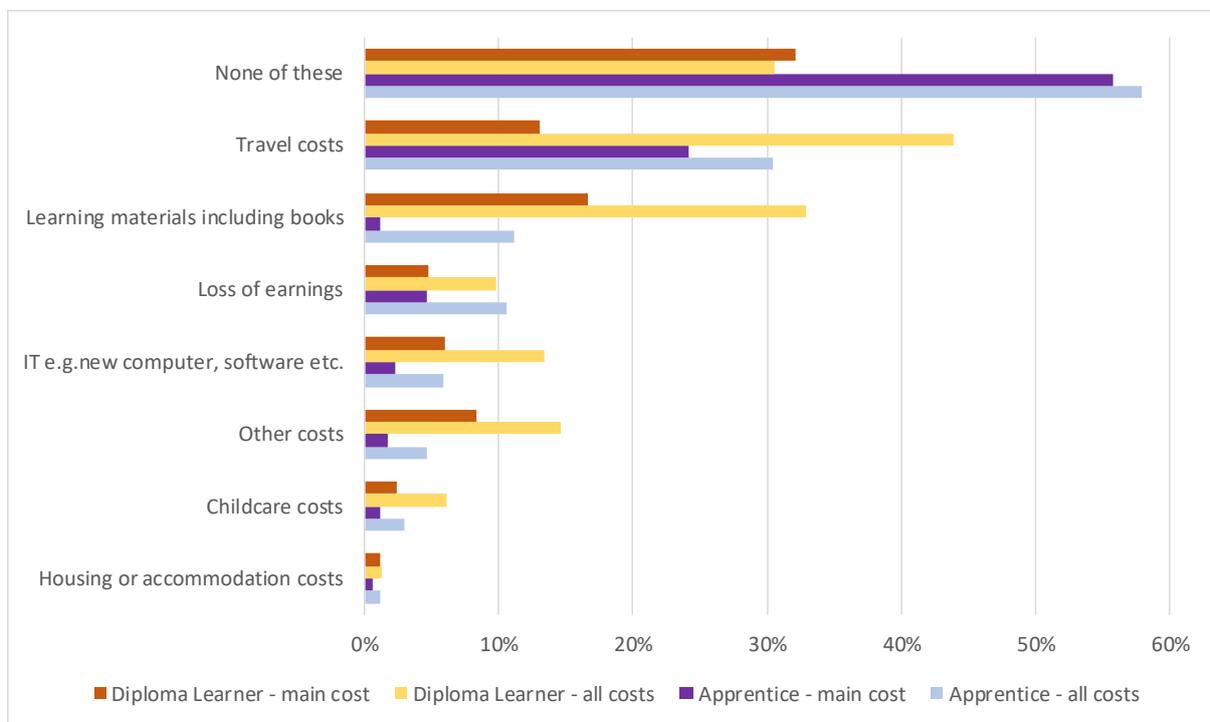
Diploma learners were asked who paid their **course fees**. The responses varied on whether respondents were trying to move into accountancy or whether they already worked in an

accountancy or similar business. For those already working in accountancy or similar, their diploma training was funded by their employer (61%). For those working in another sector, they were more likely to fund their diploma training themselves (88%) with most of these taking out a Government Advanced Learner Loan.

Respondents were asked to identify all of the **additional costs** incurred by themselves whilst working towards the apprenticeship or diploma, and which of these was the main one. Figure 21 shows that for most apprentices there no additional costs (58%). For those apprentices who did mention costs, travel costs (30%) were the most often stated. However, for 70% of Diploma learners there was a range of additional costs, most often associated with travel (44%, e.g. to and from a training centre) and related to learning materials (33%).

When asked to identify the main cost they incurred, diploma learners mentioned learning materials (17%) and apprentices said travel costs (24%).

Figure 21 Additional costs incurred undertaking the apprenticeship or diploma



Apprentices N=174

Diploma learners N=84

Source: Warwick IER apprentice and diploma learner e-survey

The costs of training: findings from the qualitative survey

Apprentices

Course fees: These were paid by the employer.

Other costs: Very few apprentices themselves paid for any part of their training, if they did then it tended to be reimbursed. Around half a dozen of apprentices said they did pay, and this was mostly for travel and parking to and from college. But over the length of the course this came to a small amount (£50 or £100). A small number of apprentices said that they had to pay for learning materials, and IT equipment which amounted to £100-£500 per person.

Diploma learners

Course fees: About two thirds of diploma learners in the qualitative survey paid for the course fees themselves. For most of these, the costs of the course (including exams, AAT membership etc.) came to around £1,900, although some said it cost them £1,500. One third of diploma learners said their employer paid the course fees (including elements such as exam fees).

Those funding the diploma themselves mostly drew on their own savings or took out an Advanced Learner Loan.

Other costs: Diploma learners had to fund a range of other costs, predominantly travel, learning materials and IT. On average, diploma learners spent £70 on learning materials (though this ranged from £50 to £250); £91 on travel (£40-£160); and £200 on IT (higher amounts were spent if learners needed new or upgraded computers).

Total costs: Where learners paid the course fees themselves, the total average cost per learner of undertaking the diploma was £2,261. Where the employer paid the course fees the average cost was £75.

These figures do not include loss of earnings. Three diploma learners said loss of earnings but only one was able to quantify the amount and so it has not been included in the calculation. Similarly two learners mentioned childcare costs but did not provide an estimate.

Figure 22 shows the salary whilst undertaking the training. The apprenticeship **minimum wage** in 2019/20, based on an average 37 hour week, is £15,796 for people aged 25 and over, £14,815 for those aged 21-24, £11,833 for those aged 20, and £7,504 for those aged 16-19⁴. On this calculation, the large majority of younger apprentices (87%) reported they were paid more than the minimum wage. However, only around half of those aged 19-24 and two thirds of 25+ apprentices reported they were paid above the minimum wage (see Figure 22). This depends on region with London and the South East all receiving the minimum wage.

⁴ <https://www.gov.uk/national-minimum-wage-rates>

Whilst 13% reported they were paid below the minimum wage it is not clear whether this is because some people do not accurately recall or calculate their annual salary, for example, basing it on their net rather than gross pay. Kaplan asks all its apprentices to record their salary in order to ensure that pay levels comply with the minimum wage.

Whatever the reason it is a concern that a significant minority of apprentices (about one third) reported they were earning under the minimum wage.

Diploma learners do not earn as much as apprentices with one in five (22%) earning less than £10k per annum, but this could be because they are not working full-time. Younger diploma learners are better paid than younger apprentices with 77% earning £14k or more.

Figure 22 Salary whilst undertaking the training

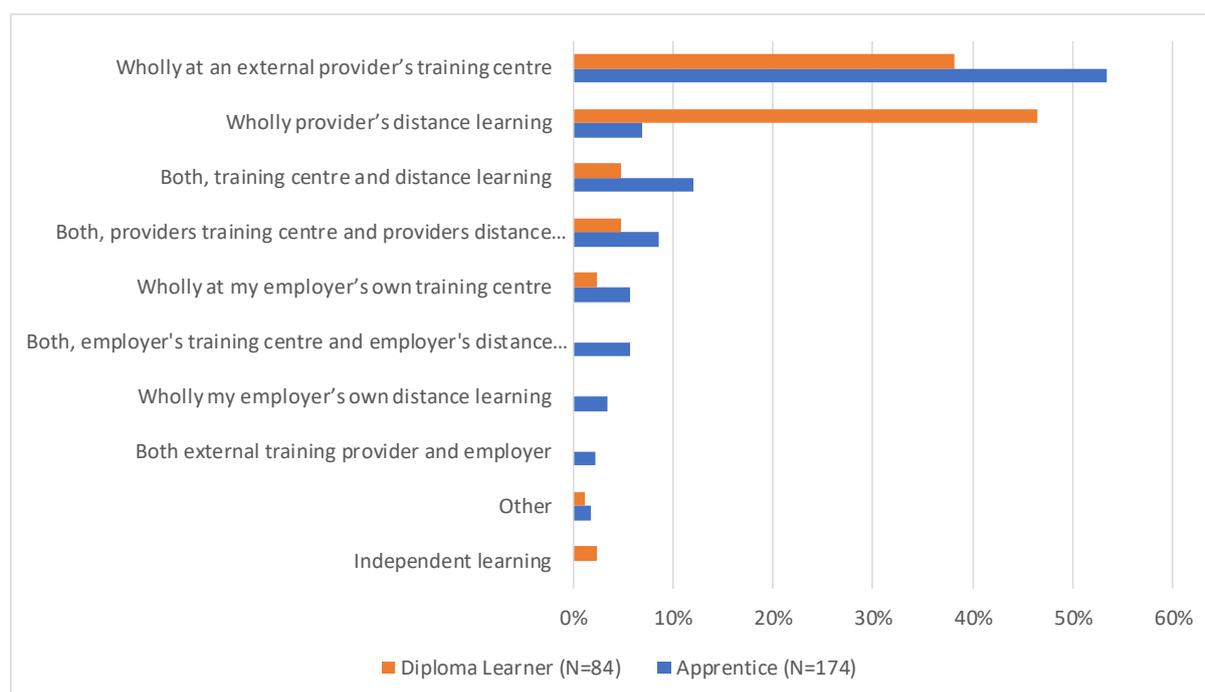


Source: Warwick IER apprentice and diploma learner e-survey

Given that the sample was drawn partly from Kaplan’s learners, most of the apprentices (70%) and diploma learners (56%) were studying at a **private training provider**. One in five apprentices (21%) and 38% of diploma learners were studying at an FE College.

The **mode of training** differs with just over half of apprentices (53%) training wholly at a provider’s training centre (Figure 23). Whilst 38% of diploma learners undertake this option, most (46%) train via distance learning. Just under on third of apprentices (29%) and one in ten diploma learners take part in blended provision either through different modes of learning or between the training provider and the employer.

Figure 23 Mode of learning for apprentices and diploma learners



Source: Warwick IER apprentice and diploma learner e-survey

Satisfaction with training: findings from the qualitative survey

Apprentices and diploma learners were asked to rate their satisfaction (on a scale of 1 to 5 where 1 was very dissatisfied and 5 was very satisfied) with the course overall and specific aspects: content; delivery; relevance to the job and amount of training. Figure 24 shows their responses.

Apprentices

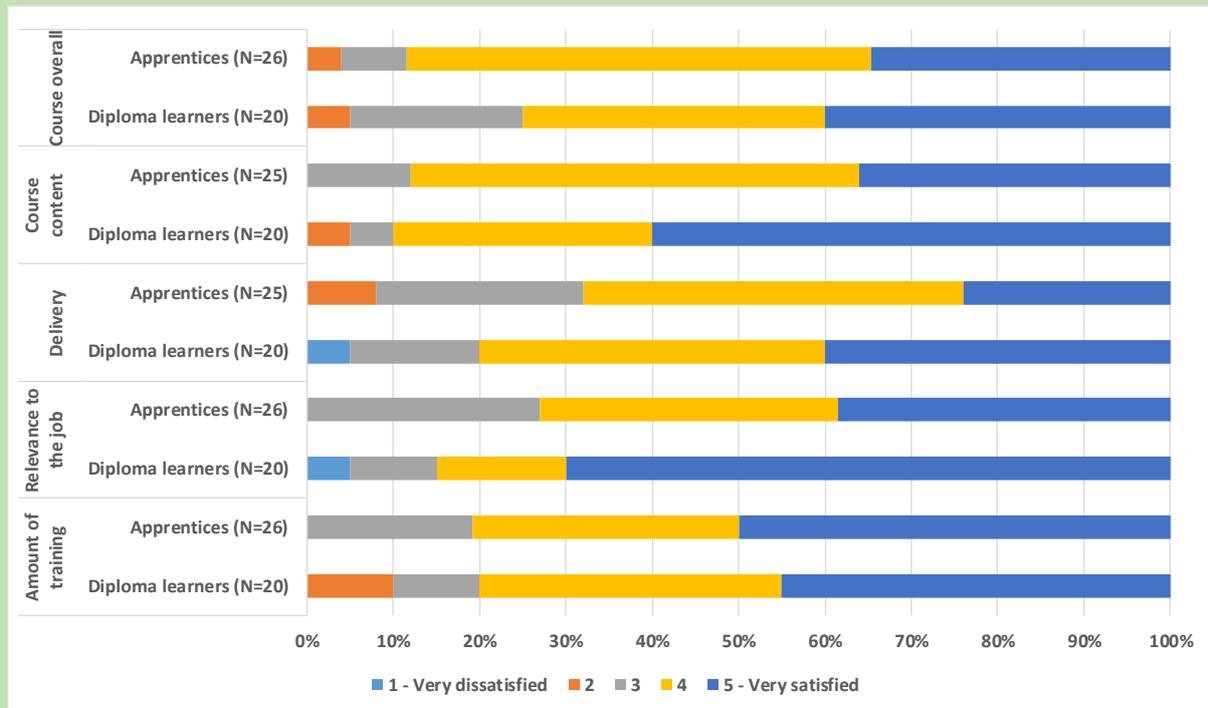
Almost nine out of ten apprentices (88%) were satisfied or very satisfied with the course overall and the course content. Four out of five (81%) were satisfied/very satisfied with the amount of training they received, around three quarters were satisfied/very satisfied with the relevance of the training to their jobs, and over two thirds (68%) were satisfied/very satisfied with delivery. Across these metrics, very few apprentices ever said that they dissatisfied/very dissatisfied with any aspects of these elements. No apprentices were dissatisfied/very dissatisfied with the course content or relevance to their job.

When asked if they **would recommend the apprenticeship to a friend** all apprentices said they would. The best aspect of the apprenticeship (mentioned by more than half) was the ability to earn whilst learning: *“I will be forty grand up and if I'd have gone to university I'd be forty grand down by the time I am 21, that is how I think about it”*. Apprentices also liked the ability to apply their learning in the job, gaining work experience whilst studying, and the fact that they were able to progress into higher level training.

When asked if there was any aspect of the programme that could have been improved, there were a range of individual responses. The most frequently mentioned (by about one in five)

were: the turnover in Talent Coaches working with apprentices; the level of the apprenticeship minimum wage; and the administrative side of the apprenticeship (e.g. the portfolio).

Figure 24: Satisfaction with the training



Source: Warwick IER apprentice and diploma learner e-survey

Diploma learners

More than four out of five diploma learners were satisfied/very satisfied with the: course content (90%); relevance to their job (85%); delivery (80%) and amount of training (80%). Three quarters were satisfied/very satisfied with the course overall. Very few diploma learners said they were dissatisfied/very dissatisfied with any aspect of the course.

When asked if they **would recommend the diploma to a friend** all diploma learners said they would. The best aspect of the diploma was the improved confidence and the sense of achievement: *“I’ve never had a diploma and it was so hard, so it felt like an achievement”*. Diploma learners also liked being able to apply the knowledge they were gaining in their work, the fact that they were progressing in a career they had chosen, and the skills they were gaining.

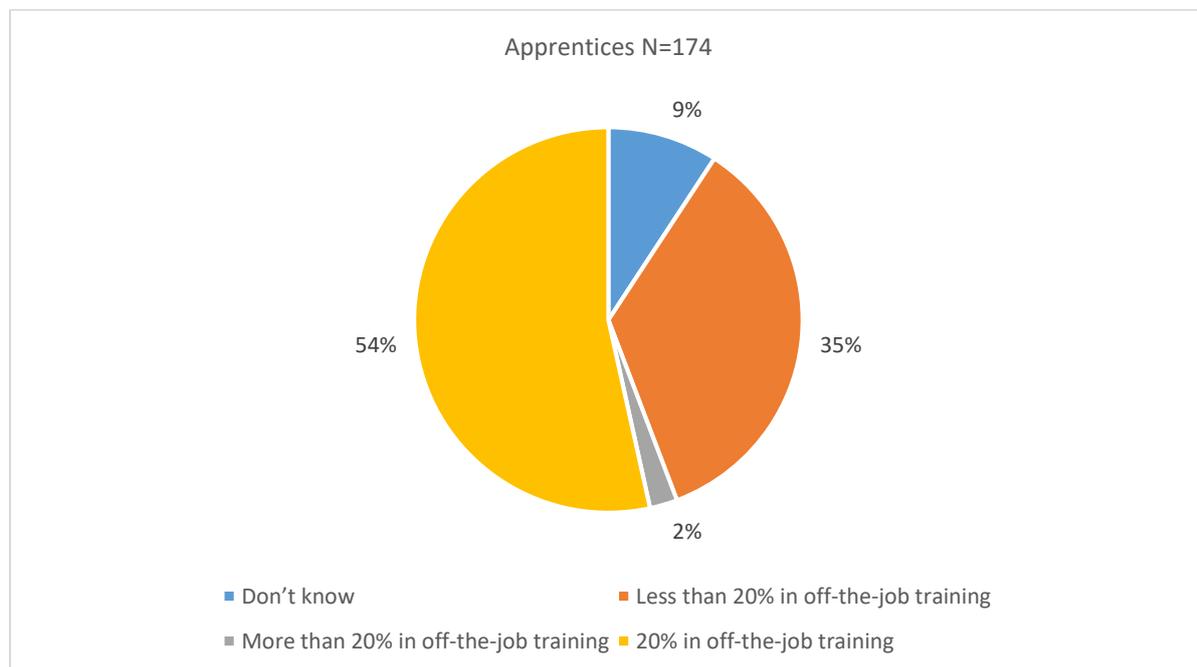
When asked if there was anything they would improve most (around one third) said ‘nothing’. The aspect learners would like to see improved is the support. They would like more contact with tutors to help explain or discuss what they were learning, or help with technical aspects of the course (e.g. for those with people without computer skills).

It is a condition of an apprenticeship that apprentices spend 20% of their time in **off-the-job training**. Kaplan asks all employers to commit to the 20% off the job training and monitors their adherence to this.

This needn't be at a formal training centre but, in the case of distance learning for example, could be undertaken at their desk at their place of work.

Whilst most apprentices (56%) spend 20% or more of their time in off-the-job training, Figure 25 shows that over one third (35%) reported that they do not. It is worth noting that sometimes individuals are unsure if training counts as off-the-job and that all training providers including Kaplan are charged with ensuring off-the-job hours are met.

Figure 25 Time apprentices spent in off-the-job training



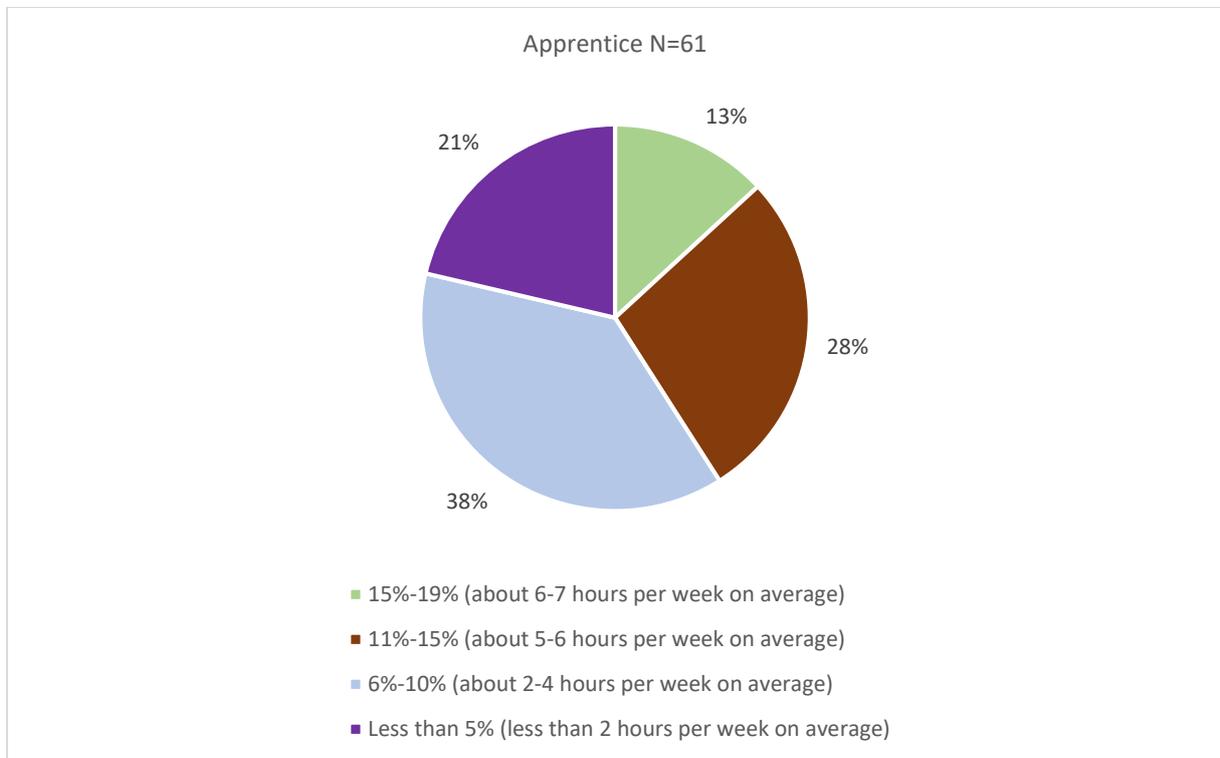
Source: Warwick IER apprentice and diploma learner e-survey

Those spending less than 20% of their time in off-the-job training were asked what proportion of their time on average did they spend? Figure 26 shows that of these 61 apprentices, 37% said they spent an average of 6%-10% per week in off-the job training (equivalent to 2-4 hours per week on average), and 28% said 11%-15%. One in five (21%) said it was less than 5%. Time spent in off-the-job training does not appear to be linked to the mode of training but it is linked to when off-the-job training is undertaken. Those undertaking the training in the evenings and/or weekends are almost twice as likely (59%) to report that they spend less than 20% of their time in off-the-job training than those given time off in their normal working week (31%). Those training in the evenings and weekends may have recorded this training as paid working time. Similarly, those undertaking the training in a block are also much more likely (56%) to report that they spend less than 20% of their time in off-the-job training.

Off-the-job training includes a range of activities undertaken in different locations. The apprenticeship 20% training requirement can be undertaken in the workplace, at an off-site learning centre and at home (via distance learning). It includes classes and on-line webinars

but also mentoring, work shadowing, revision and project work.⁵ It could be that respondents did not include some of these less formal training, learning and support activities in their calculation.

Figure 26 Time spent in off-the-job training



Source: Warwick IER apprentice and diploma learner e-survey

The application of knowledge: findings from the qualitative survey

Apprentices

Apprenticeships involve working and studying, with employers committing to release apprentices for training for 20% of their time. Apprentices were asked whether they thought this was a good way of training or whether they preferred some other method. Despite the fact that many apprentices did not report they received 20% off-the-job training, an overwhelming number of apprentices preferred the 'earning and learning' approach. Only one apprentice dissented from this view, they said they did not know having nothing to compare it with.

5

See

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808970/apprenticeship_20_off_the_job_training_guide.pdf

Apprentices were asked to identify the advantages and disadvantages of studying and working at the same time.

It is worth noting that sometimes individuals are unsure if training counts as off-the-job and that all training providers including Kaplan are charged with ensuring off-the-job hours are met.

Advantages:

The main advantage most apprentices identified was that they were able to **apply what they had learned in a real world setting**: *“You practice the theory at a certain level. So you learn something from a book and when you go to work you can see it practically”*. This had two main benefits. It helped apprentices retain knowledge because they were regularly applying what they had learned at work. It also made their work more interesting. Some apprentices said that the work they did was sometimes routine but being able to understand the theories underpinning the work and how it applied in the wider context of accountancy made their work more interesting. The involvement of employers was important in both these regards. Some apprentices said that their employers tailored their work to what they were learning so that they were always practically applying recently acquired knowledge: *“My boss set me tasks that were relevant to what I was studying so this helps your knowledge and understanding of doing it”*.

The second most mentioned advantage was **earning whilst learning**: *“I get a full-time wage, it’s great to be learning and making things better for my life whilst managing to learn at the same time”*. In some cases apprentices said that they would not have been able to afford to study at this level unless it was via an apprenticeship.

There were a variety of other advantages people mentioned:

- **Work experience**: especially for young people, being able to put the job down on one’s CV, and this will help with future job opportunities;
- **Progression opportunities**: that people are currently on a developmental process both in terms of acquiring knowledge and work experience; and that there are further career progression opportunities once qualified at Level 3;
- **Employer pays for the training**: the apprentice has no financial outlay for course fees (as well as other costs associated with training see Figure 21).
- **Learning time**, for those who undertook training one day a week at a training centre: Those who liked the flexibility around the training element said that they could undergo the training whilst at work or in their own time.

Disadvantages:

The major disadvantage identified by most apprentices was that they had to **undertake the training in their own time**. Despite the obligation of 20% off-the-job training, many apprentices reported that they were not always getting this allowance (see Figure 25) and were doing a full-time job and then had to fit the training in in their own time: *“There was a lot of home study. It was hard to find time to fit this in around working 9-5, doing the portfolio and studying for exams”*. *“I had to go home and carry on studying after work every day, there was no time to relax”*. Whilst most said that they did not get enough training time on their normal working week, there were additional study pressures when they were revising for the exams. A number may have been allocated the 20% training time, but due to work pressures chose

not to take it: *“Sometimes I was needed on the job when I was supposed to be at college. I found it difficult to walk away when I knew my colleagues needed something or when there was a deadline”.*

The second most mentioned disadvantage, by a minority of apprentices, was the lack of synchronisation between what they were learning and what they were working on. It was not always possible to apply that knowledge in the work they were doing. Some of these apprentices also mentioned that some of what they learned was ‘niche’ and does not apply to the job they were doing.

The application of knowledge

Apprentices were specifically asked whether working and studying at the same time helped them understand what they were learning and how to apply it in the job. The large majority of apprentices said that they were able to apply the knowledge they were acquiring almost immediately in their jobs. This included technical accounting knowledge (such as bookkeeping); particular software packages (for example SAGE), and experience through practical work: *“To start with you learn a lot on the job quite quickly, then you learn things at college that comes up at work”.* *“My new job is broader than my previous one, I have the accountancy side and the business strategy side and a lot of this knowledge was learned on the apprenticeship”.*

Diploma learners

Diploma learners do not receive any commitment from an employer for off-the-job training (indeed their employer may not be aware they are studying for the diploma), and some diploma learners were not working whilst studying (see Section 0). Around one third of diploma learners were either not working whilst studying for the diploma or were working but not in an accountancy or finance position where they could apply their knowledge in their job.

For those in employment, most preferred being able to work and train at the same time. A minority were mostly happy with this arrangement but would have preferred to study full-time.

Diploma learners were asked to identify the advantages and disadvantages of studying for the diploma, for most learners in the qualitative sample (around two thirds) this involved distance learning. Around half of diploma learner qualitative respondents were working in an accountancy or similar role whilst studying.

Advantages:

The main advantage identified by most diploma learners was the **flexibility of the** (predominantly distance) **training**: *“I do not lose any time at work and I can do it at my own pace. If I miss a session due to work I can listen to the recording through live online”.* Around one third of these learners were not working and had to balance their studies with their childcare commitments: *“It was flexible, not based in a classroom, I could do it at home when I wanted and this fitted around childcare”.* Some of those who were working did say their employer did give them time off at peak times of their studies e.g. when they were revising for exams: *“Work has supported me. I can book time off at short notice if I need it for studying, and I also get the day off on exam days”.*

The other main advantage, for those who were working in an accountancy job, was the **practical application of knowledge** in their daily job.

Disadvantages:

As with apprentices, the main drawback was **finding the time to study** whilst working and/or meeting childcare commitments: *“I could not study in a consistent place. I did the study in scrubs of time whenever I could do it”. “When I get home from work I have to do the same thing that I do all day at work. It’s a very long day”*. Whilst most mentioned the time problem due to work, some learners also mentioned the impact on family commitments and work life balance (e.g. finding the time to exercise).

The second most mentioned disadvantage was the **lack of face-to-face contact** for distance learners: *“If I couldn’t grasp something I could have gone to a tutor in person who could have sat me down and given me an example. But you cannot do that over the telephone”*.

Many learners said that distance learning was a mode of training which suited them, but it does require a degree of motivation and self-discipline.

The application of knowledge

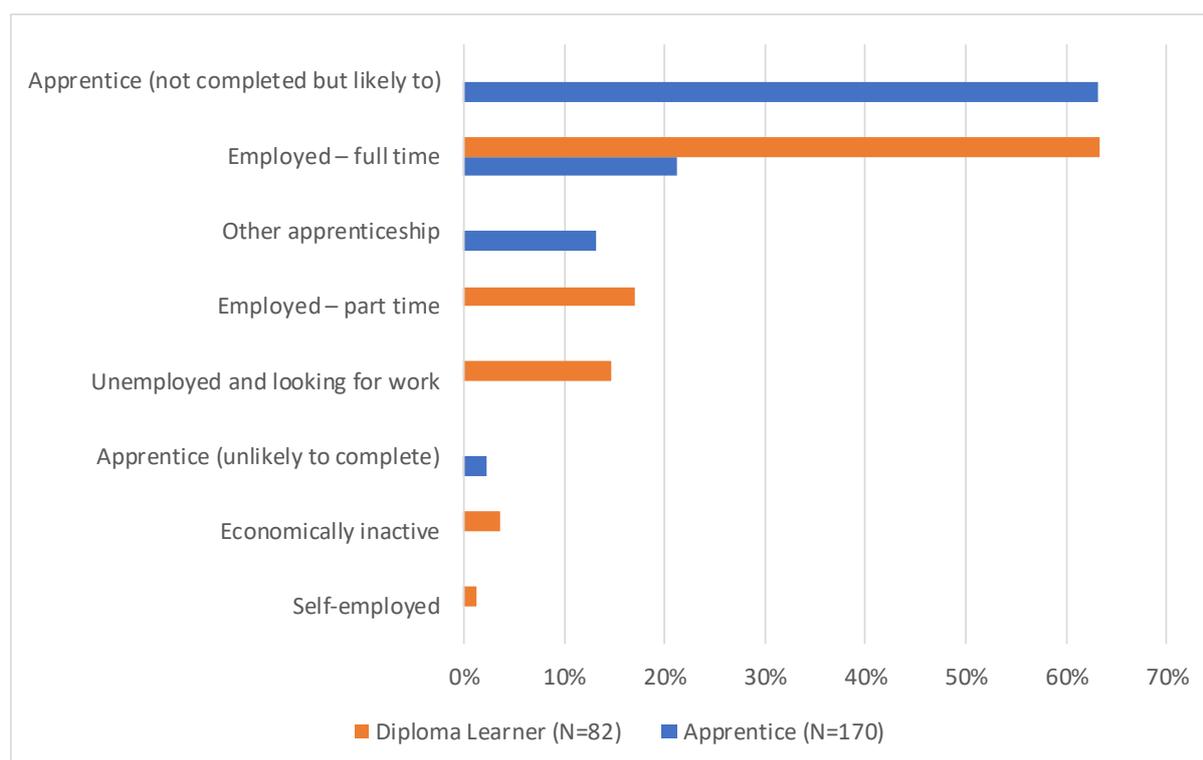
Around a quarter of learners said that they were not able to apply the knowledge as they studied because they were either not working or not in an accountancy role. A further quarter said they were able to apply some of the units they studied to work but not others (e.g. management accountancy). However, most of those in work were able to apply the knowledge they gained almost immediately within their work. As with apprentices, being able to practically apply the knowledge gained was a significant advantage: *“If I did not understand something it would come up in college and it would click and I would take it back to work. The same if I did not understand something at college, I could take it to work and speak to someone there”*.

3.5. Impacts of apprenticeships and diploma learning

Figure 27 shows that the largest proportion of apprentices (63%) were still undertaking the Level 3 Assistant Accountant apprenticeship and likely to complete it. Those who had completed were either in full-time employment or had progressed to another apprenticeship. Employer retention of apprentices was high with only 5% of apprentices not employed by their apprenticeship employer, 96% were still working for the same employer.

Just under two thirds of diploma learners were in full-time jobs (63%) and 17% were in part-time work. Around one in five were not in employment, either unemployed and looking for work or economically inactive (e.g. caring for dependents). Most diploma learners had yet to complete the diploma. Of the 27 who had, all but three were working, mostly in full-time jobs.

Figure 27 Current employment status



Source: Warwick IER apprentice and diploma learner e-survey

Of those who had completed their apprenticeship 80% were working in an accountancy, audit or finance job, and all of the remainder were undertaking a further apprenticeship. Of the 23 diploma learners who had completed, 70% were working in an accountancy, audit or finance role, the remainder working in mostly administrative roles.

Progression since completion: findings from the qualitative survey

Apprentices

The responses of apprentices supports the view from employers, that the Level 3 Assistant Accountant apprenticeship was the first step on a progression pipeline to becoming a Chartered Accountant.

Since completing the e-survey a number of apprentices had completed the Level 3 apprenticeship. Of those who had completed the Level 3 apprenticeship most had progressed on to the Level 4 accountancy apprenticeship, whilst most of the remainder said that this is what they planned to do. Of those still to complete, most of these said that they planned to progress in to the Level 4 apprenticeship if they completed the Level 3. This is consistent with Kaplan’s destination which found that 85% of its apprentice graduates had gone on to further study.

Therefore, the large majority of Level 3 apprentices had, or planned to, progress on to the Level 4 accountancy apprenticeship. For virtually all apprentices, this would be with their current employer. Furthermore, half of those currently undertaking the Level 4, said they then planned to move on to the Level 7 apprenticeship after this. Many apprentices viewed the Level 3 apprenticeship as the “first stepping stone” on a “natural progression route” to level 4 and beyond.

Diploma learners

The greater diversity of backgrounds of diploma learners means that their actual and intended progression routes are more complex. Nevertheless around half have either started on the Level 4 qualification or plan to do so. Around two out of five are looking to move into an accountancy job, or a role with a greater accountancy content (e.g. bookkeeping). A small number who have yet to finish the diploma will remain in their current role.

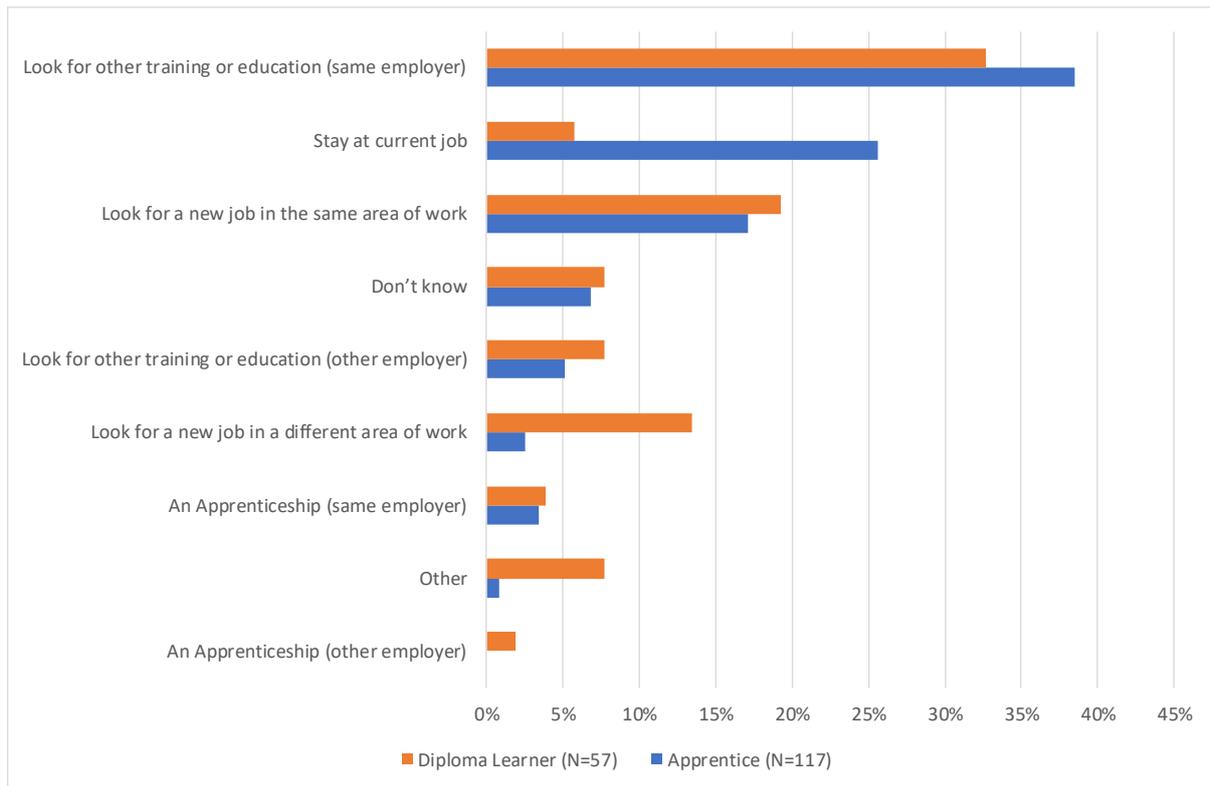
The large majority of those progressing/wanting to progress into the Level 4 qualification are likely to remain at their current employer, although some said that this depended on their employer funding the qualification.

Diploma learners agreed that the Level 3 diploma had helped them achieve their current or future plans.

For most apprentices and diploma learners completing the programme would lead to further progression in their skills development and/or their job. For those yet to complete their apprenticeship or diploma, Figure 28 shows their planned next steps. For apprentices, almost nine out of ten (87%) planned to remain with their current employer. Two in five (38%) planned to progress on to other training and education with their current employer, one quarter (26%) planned to stay in their current job with no current plans for further education and training, and 3% planned to undertake another apprenticeship with their existing employer. Just under one in five (17%) planned to look for a new job in the same area of work and 3% will look for a different area of work, but for most of these this would be with their current employer.

The employer retention figure for diploma learners was lower at 60%. Most diploma learners would like to look for other training and education with their current employer, and one in five (19%) would look for a new job in the same area of work mostly with their current employer.

Figure 28 Plans after completing



Source: Warwick IER apprentice and diploma learner e-survey

Apprentices and diploma learners were asked to agree or disagree with a number of statements about the impact of undertaking the apprenticeship or diploma. Table 7 shows their responses.

Table 7 To what extent do you agree with the following statements

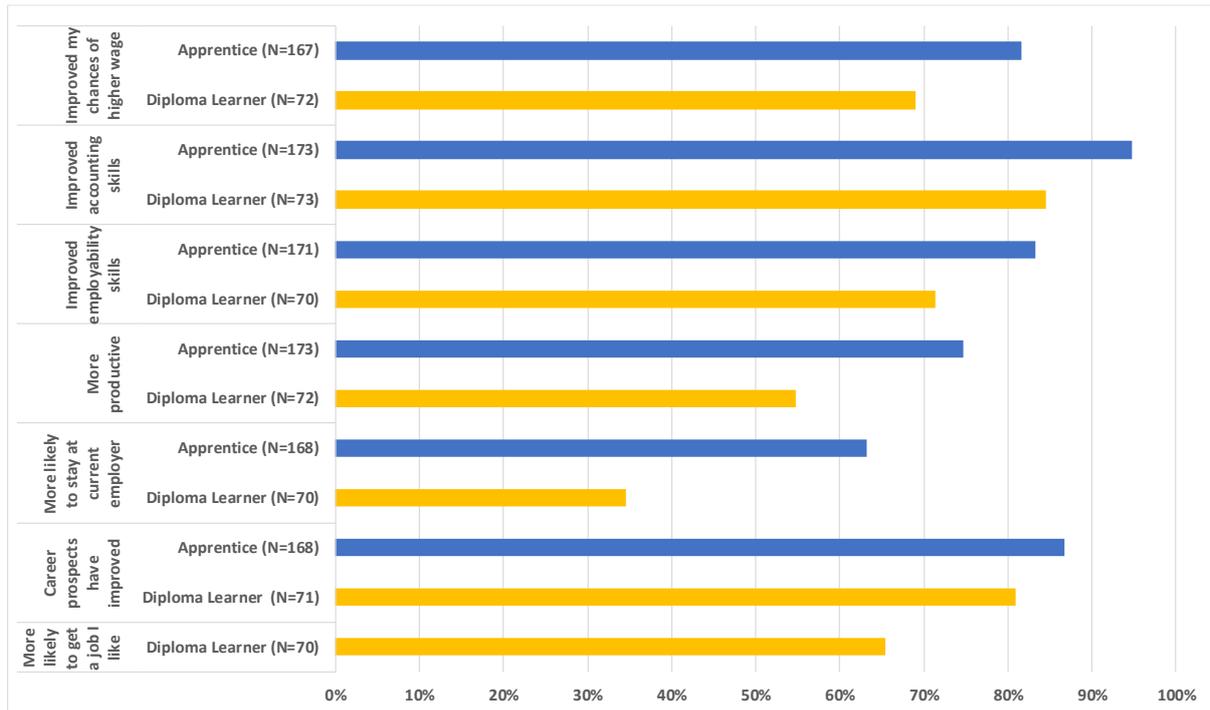
Apprentice (N=174) Diploma Learner (N=84)		Agree					Disagree		Total
		Strongly	Slightly	Neither	Slightly	Strongly	Don't know		
Improved chances of a higher wage	Apprentice	46%	36%	10%	2%	2%	4%	100%	
	Diploma Learner	44%	25%	11%	1%	5%	14%	100%	
Improved accounting skills	Apprentice	69%	26%	2%	1%	2%	1%	100%	
	Diploma Learner	61%	24%	1%	0%	1%	13%	100%	
Improved employability skills	Apprentice	47%	36%	11%	2%	2%	2%	100%	
	Diploma Learner	39%	32%	11%	0%	1%	17%	100%	
I am more productive	Apprentice	36%	39%	19%	3%	2%	1%	100%	
	Diploma Learner	24%	31%	27%	2%	1%	14%	100%	
More likely to stay at my current employer	Apprentice	33%	30%	22%	9%	2%	3%	100%	
	Diploma Learner	15%	19%	30%	10%	10%	17%	100%	
Career prospects have improved	Apprentice	52%	35%	7%	1%	2%	3%	100%	
	Diploma Learner	45%	36%	2%	1%	0%	15%	100%	
More likely to get a job I like doing (DL only)	Diploma Learner	24%	42%	14%	2%	1%	17%	100%	

Source: Warwick IER apprentice and diploma learner e-survey

Figure 29 summaries Table 7 and shows the proportion of apprentices and diploma learners agreeing (strongly or slightly) with the statements. For apprentices, three quarters or more agree with six of the seven statements. Apprentices are most likely to agree that the apprenticeship improved their accountancy skills (95%), their career prospects (87%), their employability skills (83%) and their pay prospects (82%). Apprenticeships are a positive retention tool with almost two thirds of apprentices (63%) saying they were more likely to remain with their current employer. Around one in five were neutral and this adds up to a similar retention figure found above in Figure 28 (i.e. 85% compared with 87% when asked about their future plans on completion).

More than two thirds of diploma learners agreed that studying for the diploma improved their accountancy skills (85%), their career prospects (81%), their employability skills (71%) and their pay prospects (69%).

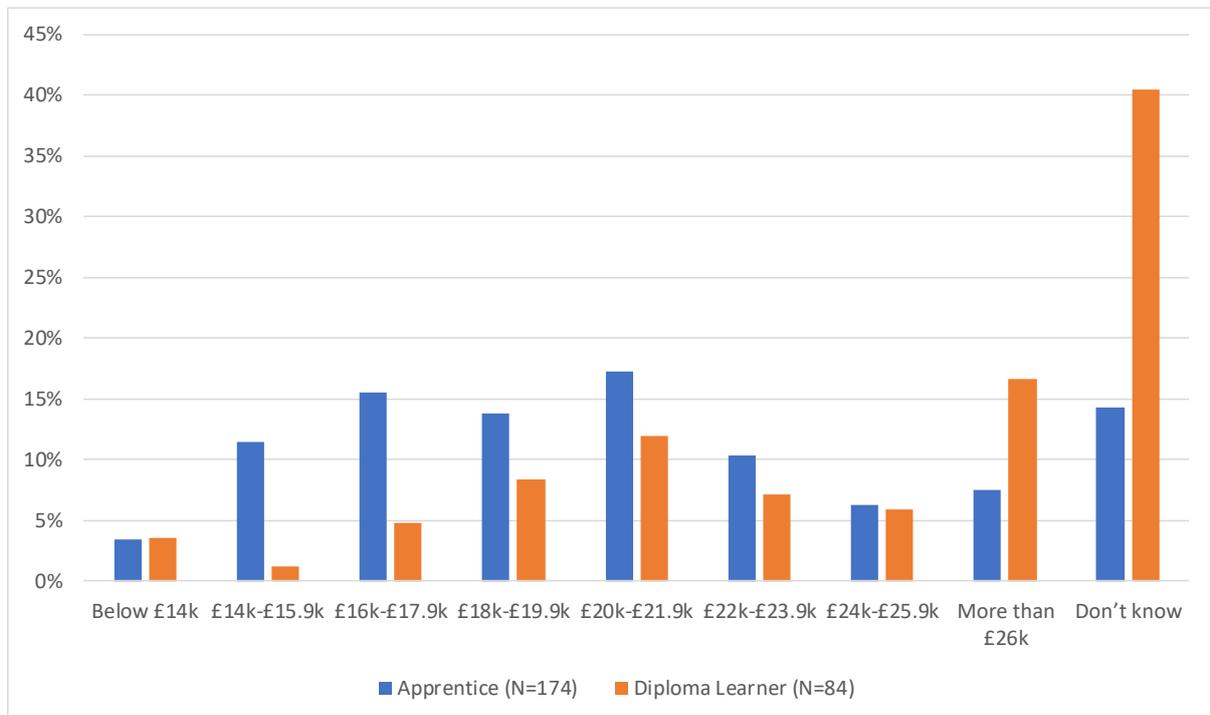
Figure 29 Percent strongly/slightly agreeing with statements (excluding don't knows)



Source: Warwick IER apprentice and diploma learner e-survey

Figure 30 shows the expected salary of apprentices and diploma learners on completion. Excluding don't knows, the median salary band for both apprentices and diploma learners is £20k-£21.9k, although it must be remembered that apprentices are younger on average.

Figure 30 Expected salary on completion

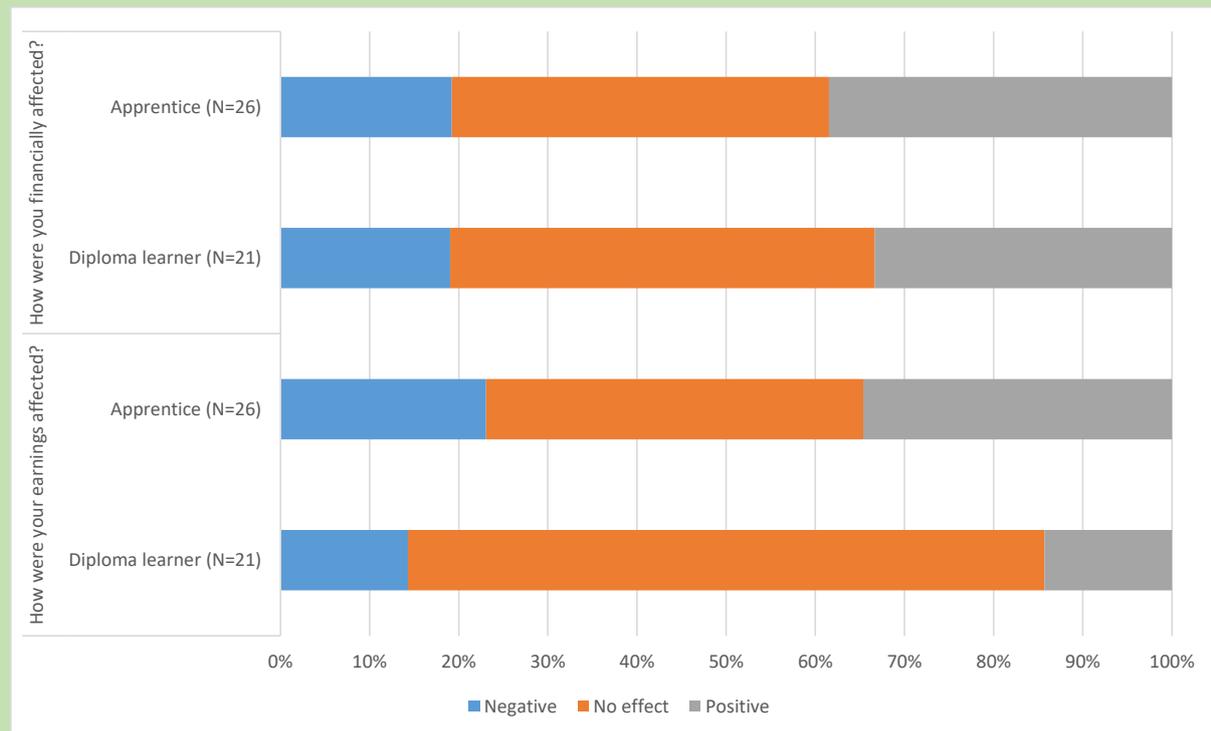


Source: Warwick IER apprentice and diploma learner e-survey

Short-term impacts on earnings and finances whilst undertaking the apprenticeship/diploma: findings from the qualitative survey

Apprentices and diploma learners were asked how their finances and earnings were affected whilst training compared to the other options they seriously considered when deciding to take the apprenticeship/diploma (see page 40).

Figure 31: How were your finances and earnings affected whilst undertaking the apprenticeship/diploma compared to other options you may have taken?



Source: Warwick IER apprentice and diploma learner qualitative survey

Apprentices

Figure 31 shows that just over two in five (42%) said that it had a neutral effect on their finances, and a similar proportion said that it had a positive effect (38%). One in five apprentices (19%) the choice had a negative effect on their finances compared to the other options they seriously considered.

Those reporting a negative impact on finances and earnings were comparing it to the types of jobs they were doing prior to starting the apprenticeship, for example retail jobs requiring no qualifications and which provide no training. They would have been paid more in these types of jobs (and so took pay cut) but realised they would not have had the same opportunities in the medium to longer term (which is why they started the apprenticeship).

For those reporting a neutral impact. Most said that there was initially a negative effect on their earnings and finances, but this was offset as they became more skilled and experienced and their earnings increased as a result. So again, whilst there may have been a short-term loss

this was cancelled out by medium term gains. Those apprentices who compared their apprenticeship to going into HE believed that they were better off in the short-term, but graduates would be earning similar amounts to them once they had qualified. However, they would not have any student debt.

Apprentices reporting a positive impact were comparing the apprenticeship to the HE option. As they were earning whilst studying this had a comparatively positive effect on their earnings and finances compared to going to university. Some apprentices said that their employer paid more than the minimum apprenticeship wage and this made a relatively positive impact.

Diploma learners

Diploma learners were also asked whether they were financially affected whilst undertaking the diploma compared to their other options (see page 40). Figure 31 shows that for around half of diploma learners (48%) reported a neutral effect, one third (33%) a positive effect and one in five (19%) a negative effect. The main negative impact was caused by the loss of earnings whilst studying. Either diploma learners could have worked longer hours (e.g. a full-time job rather than a part-time one) or they refrained from promotions or applying for other jobs whilst they were studying.

Those reporting a neutral effect said that they had no other options. They were fully aware of the financial implications of studying for the diploma and had weighed this against the advantages in terms of their job and career prospects. A number of these people were already in jobs and wanted better opportunities, or were not in work (unemployed or looking after children). Therefore the short-term losses were offset by longer term opportunities.

Most of those reporting a positive impact on finances and earnings had already received pay rises as their skill levels increased or immediately after they had qualified. Others said that the value of the learning they had received offset any costs, that the longer term benefits outweighed short term costs, and that due to the flexibility of the training they had been able to earn and learn at the same time.

Apprentices and diploma learners were asked what their salary was whilst undertaking the apprenticeship/diploma and what their earnings were now.

Table 8 shows that the salaries for both apprentices and diploma learners increased even for those who had not yet completed their qualification. For apprentices yet to complete the apprenticeship, the salary increased for half of them and this averaged £3,190. The same number of diploma earners still to complete also rose by an average of £4,100.

Virtually all apprentice completers had seen their salaries rise, by an average of £4,613. However, only half of diploma completers had received a pay rise, but this tended to be higher (£6,875). The main reason why diploma completers had not received a pay rise was because they were looking for an accountancy related post and were still working in their existing job or were still out of work.

Table 8: Current salary compared to the average whilst studying for the apprenticeship/diploma

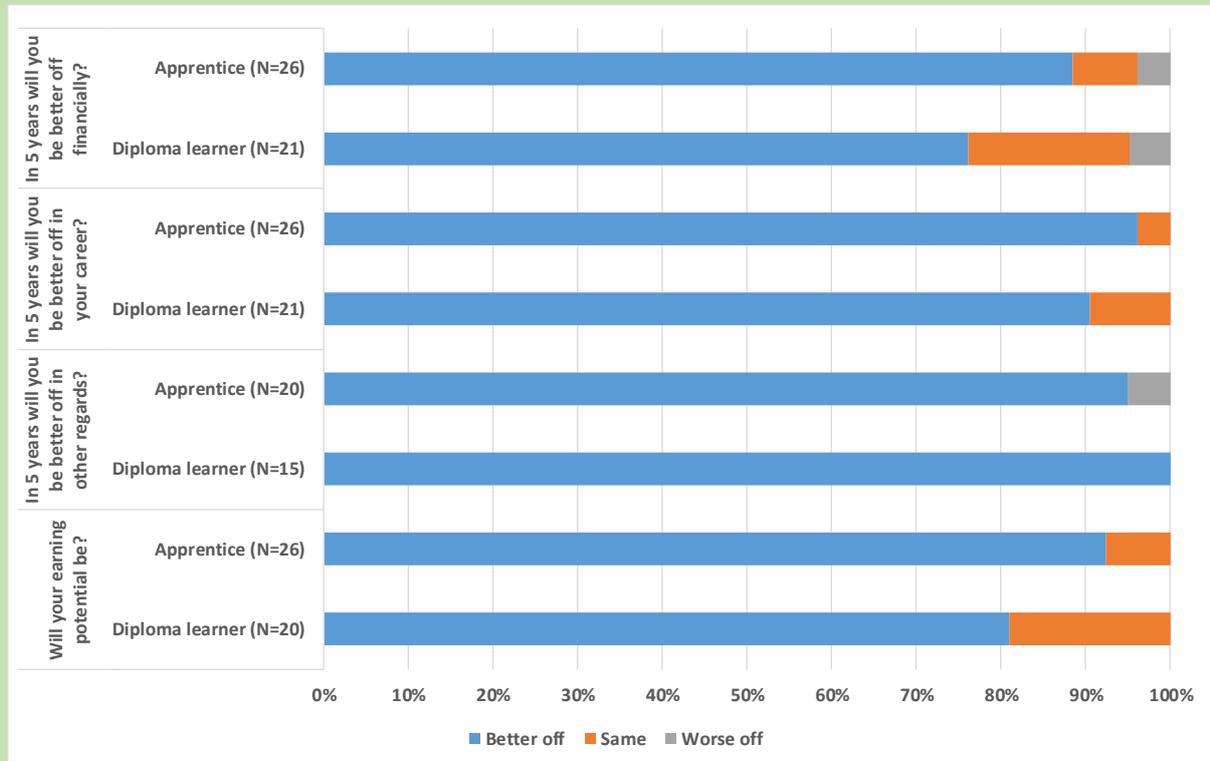
		Not completed	Average salary increase	Completed	Average salary increase
Apprentices (N=26)	Same salary	5	-	3	-
	Increased salary	5	£3,190	13	£4,613
Diploma learners (N=19)	Same salary	6	-	4	-
	Increased salary	5	£4,100	4	£6,875

Source: Warwick IER apprentice and diploma learner qualitative survey

Longer term impacts on earnings and careers from undertaking the apprenticeship/diploma: findings from the qualitative survey

Apprentices and diploma learners were asked to assess the longer term impacts (in five years' time) of the apprenticeship and diploma financially, on their careers as well as other effects such as on their motivation and confidence.

Figure 32: In five years' time do you think you will be better or worse off having undertaken the apprenticeship/diploma?



Source: Warwick IER apprentice and diploma learner qualitative survey

Apprentices

Figure 32 shows that the longer term impact (five years) is universally positive for apprentices: financially, career/professional development, other effects and earning potential. On all of these dimensions, apprentices said that they expect to be better off.

The main positive effects have been through apprentices progressing in their jobs and earning higher salaries. Many apprentices would like to or already have progressed on to higher level qualifications, many hoping to become Chartered Accountants. Other apprentices spoke of work experience and how this has allowed them to practically apply their knowledge (and thereby further develop it) as well as their employability skills, neither of these would have accrued via the HE route. Being debt free was also a positive dimension to the apprenticeship route compared to HE.

In terms of other effects, the most frequently mentioned was improved confidence. Apprentices said that work experience was fundamental to this: successfully applying their knowledge; developing their skills incrementally and support from managers and colleagues.

Diploma learners

Figure 32 shows that Diploma learners were also very positive about the impacts of the diploma, however, more Diploma learners expected a neutral effect on earnings (19%) and career/professional development (10%). These learners tended to be currently unsure as to what their next steps would be.

For those diploma learners expecting positive impacts, this was most likely to come from job progression either in their current job (many had already received a pay rise, see Table 8) or through their improved job prospects now that they were qualified (or would be soon). Some diploma learners had already planned or planned to start on the Level 4 qualification, with some having ambitions to achieve Chartered Accountancy status.

3.6. Conclusion

Prior to starting the apprenticeship, most apprentices were studying full-time but a significant proportion were also working. Diploma learners were most likely to be in work, and about half of these were already employed in the accountancy and finance sector.

The main reasons for starting the apprenticeship was to as stepping stone to further qualifications and training, to improve skills and knowledge and get a better job. Diploma learners wanted to improve their skills and knowledge and get a better job.

Apprentices knew little about the apprenticeship prior to starting, they tended to view it as an entry accountancy job with training. They tended to seek advice from friends and family. Diploma learners knew a lot more about the diploma before they started and gained information from their employer (for those already in the sector). Those not working in accountancy and finance were looking to move into an accountancy career, the large majority of these diploma learners funded their diploma through an Advanced Learner Loan.

Apprenticeships were funded by the employer and most apprentices did not have to pay any additional costs. Diploma learners did have additional costs of travel and learning materials. With course fees, diploma learners spent, on average, £2,115 on their training.

The large majority of apprentices had, or planned to, complete the apprenticeship. All diploma learners had, or planned to, complete the diploma.

There were high levels of satisfaction with a range of aspects of both the apprenticeship and diploma, with the large majority of apprentices and diploma learners satisfied or very satisfied, especially with the course overall, the content of the training and the relevance to their jobs.

There do appear to be a proportion of apprentices who reported that they were paid less than the minimum wage. There also appears to be a minority of apprentices who said that they did not receive the full 20% off-the-job training allocation. As a result of this AAT, Kaplan and other providers will review their guidance and monitoring policies in these areas.

For apprentices, a major advantage of the apprenticeship was the ability to apply what they learned in a real world setting, as well as the ability to earn and learn. The main disadvantage was having to learn in their own time. Diploma learners (those in work) also benefitted from the ability to apply their knowledge at work. They also saw having to study in their own time as a disadvantage, as well as the lack of face-to-face contact in the delivery of training.

A high proportion of apprentices were already undertaking, or likely to progress on to, the Level 4 qualification, with many of these planning to progress on to Level 7. Most diploma learners saw the diploma as embarking on an accountancy career with half planning to study at level 4 on completion of the diploma.

There were high levels of retention for both apprentices and diploma learners. The main impacts for both apprentices and diploma learners were improved accountancy skills, career prospects, earnings and employability skills. There were also positive impacts on individual's confidence for both apprentices and diploma learners.

Apprentices and diploma learners believed their earning potential had improved as a result of the training. The salary premium for apprentices on completion was £4,613, and £6,875 for diploma learners (who were likely to be older).

4. The return on investment

4.1. Introduction

A main objective of the study was to assess the return on investment (ROI) from apprenticeships to employers and apprentices, and from the diploma to diploma learners. The study adopted the approach to calculating the ROI used in the Net Benefits to Training studies commissioned by the Department for Business Innovation and Skills (BIS)⁶.

These studies present employer and individual decision making as an economic decision. Businesses and people make rational economic decisions and will undertake a course of action (such as training) if the benefits of that choice outweigh the costs. Critics of this approach find that people and firms are not rational in their decision making (for example, basing decisions on emotions rather than 'hard facts'), and that individuals and businesses do not have the information to calculate the costs and benefits of their available options.

This study has found that whilst employers do regularly plan out their apprentice demand, they do not have access to information and data that would allow them to calculate the marginal costs and benefits, and thereby the marginal returns of recruiting apprentices. The decisions of accountancy businesses are longer term, seeing the investment in Level 3 Assistant Accountant apprenticeships as the first stage in a progression pipeline to accounting technician and then on to Chartered Accountant status.

Both apprentices and diploma learners also see the Level 3 apprenticeship and diploma in a similar light, as a starting point to a career in accountancy and a step to progressing on to higher levels of training and qualifications, and earnings.

This section analyses data from the e-survey and qualitative interviews to assess the decision making approaches used to calculate a ROI. The ROI calculation is consistent with the Government's Green Book⁷.

4.2. The Return on Investment of apprenticeships for employers

4.2.1. The Net benefit calculation

The Net Benefits to Training studies identified the following costs of an apprentice/trainee:

- Apprentice management, supervision and support;
- Apprentice pay;
- Costs of recruiting the apprentice;
- Course fees (net cost to the employer);
- Administrative costs.

⁶ For example, see Hogarth, T. et al. (May 2012), Employer Investment in Apprenticeships and Workplace Learning: The Fifth Net Benefits of Training to Employers Study. BIS Research Paper No. 67. Department for Business Innovation and Skills. Also Gambin, L. and Hogarth, T. (May 2014), Employer Investment in Higher Apprenticeships in Accounting. BIS Research Paper No. 175. Department for Business Innovation and Skills.

⁷ HM Treasury (2018), The Green Book: Central Government Guidance on Appraisal and Evaluation.

The benefits of the apprentice/trainee are:

- The apprentice/trainee product (value or contribution to the business) whilst undertaking the programme (calculated as the proportion of a fully qualified worker's job the apprentice undertakes multiplied by the salary of that fully qualified worker).

Table 9 provides a cost benefit analysis per apprentice based on the net costs of training calculation. All figures are averages calculated from employer responses in the qualitative employer survey.

Table 9 Net benefits of training apprenticeships calculation

Cost	Amount per apprentice
Programme fees	Levy payers: £8,000 Non-levy payers: £400
Apprentice pay	New recruits: £13,343 Existing employees: £17,621
Mentoring, support and supervision	£4,616
Recruiting apprentices	£400
Providing financial support	£361
Losing unspent levy payments	Included in course fees
Total costs	Levy payer: - New recruits £26,730 - Existing employees £31,008 Non-levy payer: - New recruits £19,130 - Existing employees £23,408
Benefit	Amount per apprentice
Apprentice product	£16,383
Net cost	Amount per apprentice
Net cost	Levy payer: - New recruits -£10,337 - Existing employees -£14,615 Non-levy payer: - New recruits -£2,737 - Existing employees -£7,015

Source: Warwick IER

Table 9 shows that there is a net cost to employers of training an apprentice. The net cost varies depending on whether the business is a levy payer or not (two thirds of employers in the e-survey were levy payers), and whether the apprentice is a new recruit or an existing employee (around 70% were new recruits). The net cost ranges from **-£2,737** (for a non-levy payer employing new recruits as apprentices) to **-£14,615** (for a levy payer employing existing employees as apprentices).

Clearly, these calculations are at odds with the findings from this study showing that the large majority of employers believe that the benefits of apprenticeships outweigh the costs (see page 34) and that they plan to increase apprenticeship recruitment (see Figure 13). The main reason is that the Net Benefits of Training study does not include a monetary value for the range of benefits which employers identified in the current study.

4.2.2. Including a wider range of benefits

Table 10 shows the main benefits identified by employers in this study (see Figure 14). This is a broader range of costs and benefits than those identified in the Net Benefits to Training studies. This includes impacts on the wider workforce (e.g. staff retention), innovation and wider image of the business. In addition, there are benefits for employers over the longer term due to the high retention rates, and the progression of Level 3 apprentices on to higher levels of training.

Table 10 Training costs and benefits identified in the employer e-survey

Benefits (% of employers mentioning this benefit)
Improved productivity (38%)
Helped us develop relevant skills (38%)
Improved staff retention (35%)
Improved ability to attract good staff (33%)
Brought new ideas to the organisation (31%)
A lowered overall wage bill (27%)
Improved our image in the sector (23%)
Improved staff morale (21%)

Source: Warwick IER

Improved productivity. Both employers (see Figure 15) and apprentices (see Table 7) believed that the apprenticeship has improved productivity. However, employers could not provide monetary estimates of the value of apprentice impacts on productivity.

Apprenticeships have long been associated with increases in productivity⁸. One approach is to use the increase in earnings as a proxy for productivity, as this is an indicator of the added value employers attach to increased skills levels⁹. Research undertaken on the business, administration and legal sector estimated that apprenticeships increased productivity by £13,936 per apprentice¹⁰. Based on figures in this study, the wage difference between an apprentice and a fully trained assistant accountant is £4,613 (see Table 8).

However, there is a longitudinal dimension suggesting that productivity gains are maintained and built upon. The main reason why assistant accountant apprentices are recruited is because it is, for many employers (see page 14) and apprentices (see page 52), the first step in the progression pipeline to becoming a Chartered Accountant. Therefore, the productivity impact of apprentices does not stop once they are qualified. Most apprentices in the study had progressed on to the Level 4 apprenticeship (for example the Professional Accounting Taxation Technician Apprenticeship Level 4) and, of these half planned to progress on to the Level 7 Chartered Accountancy apprenticeship (see page 52). It is also in the minds of employers that Level 3 apprentices are not recruited to become Assistant Accountants, but to progress up to higher levels where they can undertake more sophisticated work and charge higher day rates to their customers. According to employers, almost all apprentices have been or will be promoted to an Assistant Accountant position (see Table 4) with an 86% retention level (see Table 3) with most moving on to Level 4. This means that their contribution will persist beyond the period of the Level 3 apprenticeship.

Assuming increased productivity per apprentice of £4,613, it would mean that someone staying with their apprentice employer for more than three years will start to see net benefits to their apprenticeship investment. Recent estimates suggest that the average job tenure of a UK employee is between 8-10 years¹¹. Erring on the side of caution we have provided estimates for 5 and 8 years in Table 11 to capture the longitudinal dimension to productivity impacts. This assumes that people stay in the same role for this period and are not promoted. This is likely to underestimate the productivity benefits as most apprentices are likely to achieve higher job roles.

Helping to develop relevant skills. When asked whether the apprenticeship had increased their accounting and employability skills, apprentices gave high levels of agreement to these statements (95% and 83% respectively, see Figure 29) so it is highly likely that the apprenticeship was the key factor in developing these technical and generic skills. The new

⁸ Dearden, L., H. Reed and J. van Reenen, (2005), The Impact of Training on Productivity and Wages: Evidence from British Panel Data. London: LSE Centre for Economic Performance Discussion Paper no. 674

⁹ House of Commons Committee of Public Accounts (May 2019), The apprenticeships programme: progress review. Ninety-Eighth Report of Session 2017–19.

¹⁰ Centre for Economics and Business Research (March 2013), Productivity Matters: The Impact of Apprenticeships on the UK Economy.

¹¹ Eurofound (2015), Job tenure in turbulent times, Publications Office of the European Union, Luxembourg.

See also https://stats.oecd.org/Index.aspx?DataSetCode=TENURE_AVE

skills developed by apprentices contributes to their product and productivity and so has been included in the above figure.

Improved staff retention. There are very high levels of apprentice retention according to employers in the e-survey (see Table 4) with only 1% of apprentices leaving the organisation. Apprentices are less likely to say they will remain with their current employer with 11% disagreeing or strongly disagreeing with the statement 'I am more likely to stay at my current employer' (see Table 7). As mentioned above, the Level 3 Assistant Accountant apprenticeship is viewed by employers and apprentices as a first step in a progression pipeline. High levels of staff retention mean that there will be benefits to employers in not having to recruit higher level staff, lack of productivity whilst staff members are replaced and costs whilst new employees are coming up to speed. Costs of recruitment vary enormously. In 2014, Oxford Economics estimated that it costs £40,000 to replace an employee in the accounting sector¹² (this includes the cost of lost output) whilst more recently the CIPD estimated it costs between £2,000 and £8,000 depending on the seniority of the staff member¹³. Currently, Monster (the online recruitment agency) estimates a cost of £4,500¹⁴. Both the CIPD and Monster figure does not include lost output. Rather they only cover the logistical costs of finding and absorbing a new worker (e.g. advertising, interviewing and induction). We have used the upper CIPD figure in order to include a recognition of the value of lost output but also to include the added benefits of the ability to attract good staff, improved image, and improved staff morale that are not separately costed.

Improved ability to attract good staff. This has been included in the retention figure above.

Brought new ideas to the organisation. Employers were asked in the qualitative survey if they could put a value on this but none could. Some of this benefit will be included in the productivity figure, and in the absence of additional estimates we have assumed that all benefits will be covered by the productivity figure.

A lowered overall wage bill. In the qualitative survey some employers did report that it was cheaper to recruit entry level accountancy apprentices and train them than to recruit higher level staff, in part this was so that staff could be trained in the skills, ethos and culture most relevant to the organisation. No estimates of this benefit were provided by employers and so it assumed that this is included in the productivity figure above and its discount rate.

Improved our image in the sector. There is an altruistic dimension to apprenticeship recruitment, and this helps to present employers in a positive light to potential recruits. For example, when asked for their reasons for offering apprenticeships, 30% said they wanted to help young people and 20% said they wanted to ensure young people continued to enter the industry (see Figure 5). No estimates of this benefit were provided by employers and so it assumed that this is included in the staff retention rate.

¹² Oxford Economics (February 2014), The Cost of Brain Drain: Understanding the financial impact of staff turnover. Unum.

¹³ CIPD (2017), Resourcing and Talent Planning 2017: Survey Report.

¹⁴ See <https://www.monster.co.uk/advertise-a-job/hr-resources/hr-strategies/recruitment-costs/what-are-the-general-costs-of-using-recruitment-agencies/>

Improved staff morale. No estimates of this benefit were provided by employers and so it assumed that this is included in the staff retention rate.

Table 11 provides estimates of these additional benefits. In the absence of employer estimates from this study other research and surveys have been used. Where there are different estimates the calculation has erred on the side of caution and selected the more conservative estimates:

Rather than net costs the inclusion of these additional benefits provides net benefits ranging from £67 (for a levy payer recruiting an existing employee as an apprentice and retaining them for five years) to £25,784 (for a non-levy payer recruiting a new employee as an apprentice and retaining them for eight years).

Table 11 Benefits of the Level 3 Assistant Accountant apprenticeship to employers

Benefit	Amount per apprentice
Improved productivity	£4,613 per annum 5 years : 23,065 8 years: £36,904
Improved staff retention	£8,000 (CIPD 2017)
Total benefits	5 years: £31,065 8 years: £44,904
Costs	Amount per apprentice
Total costs	Levy payer: - New recruits £26,730 - Existing employees £31,008 Non-levy payer: - New recruits £19,130 - Existing employees £23,408
Net benefits	Amount per apprentice
Net benefits	Levy payer (5 and 8 years): - New recruits £4,345-£18,184 - Existing employees £67-£13,906 Non-levy payer (5 and 8 years): - New recruits £11,945-£25,784 - Existing employees £7,667-£21,506

Source: Warwick IER

4.3. The Return on Investment to apprentices and diploma learners

Table 12 provides the cost benefit calculation for apprentices and diploma learners. The cost to apprentices is minimal as their employer pays the programme fees and the large majority of other costs. The main alternative for apprentices was HE so there would have been no loss of earnings (as well as the avoidance of debt) for most (see page 40).

For diploma learners the main cost depends on whether their employer is paying the programme fees. As most funded the diploma themselves (see page 43) the full cost has been included, as have the other costs. Some diploma learners mentioned childcare costs but none provided cost estimates of this.

The main benefit is the increased salary apprentices and diploma learners receive (see Table 8). This is higher for diploma learners than for apprentices because diploma learners tend to be older. The salary increase occurs in their first year after completion and so the salary benefit is likely to be maintained for a number of years.

The net benefit of the apprenticeship and diploma are provided for the first year after completion and are very similar. These are likely to be maintained over a number of years, especially as most apprentices and diploma learners were, or planning to, take higher level accountancy qualifications.

Table 12 Training costs and benefits from the employer e-survey

Costs	Apprentices	Diploma learners
Programme costs	£0	£1,900
Other costs	£75	£361
Loss of earnings	£0	£0
Totals costs	£75	£2,261
Benefits	Apprentices	Diploma learners
Increased salary (Year 1)	£4,613	£6,875
Net benefit (Year 1)	Apprentices	Diploma learners
Net benefit (Year 1)	£4,538	£4,614

Source: Warwick IER

5. Conclusions

The main aim of this research was to calculate a ROI for the Level 3 Assistant Accountant apprenticeship and the Level 3 Advanced Diploma in Accounting.

For employers, apprentices and diploma learners both these programmes serve mainly as an entry point into the accountancy profession. For apprentices, this is mostly for young people as they leave school sixth form and college, and for many of them it is an alternative to HE. For apprentice employers, the emphasis tends to also be on recruiting young people, although some older recruits are also selected as are some existing employees. Both younger and older apprentices tend to be recruited to begin the apprenticeship, rather than as a mechanism for training existing employees. For diploma learners it also an entry point into the accounting profession mostly for people who are working in the accountancy and finance sector but not in accountancy jobs, and those working in other sectors and occupations.

For employers, the Level 3 apprenticeship is a starting point on a progression pipeline that will hopefully propel Level 3 apprentices up to Level 7 Chartered Accountancy status. For apprentices and diploma learners, it is also a means of developing their skills and moving up to higher level training and qualifications, and earnings.

There are high levels of satisfaction from employers, apprentices and diploma learners for the programmes overall, and their content and relevance. However, there is a concern over the pay levels of some apprentices (although employers report they pay above the minimum wage) and the amount of of-the-job training received.

For employers who pay the apprenticeship levy, its introduction has made them more likely to take on apprentices. There was no evidence of a substitution effect whereby other training would be reduced to accommodate more apprentices. Levy payers were much more likely to say that other skills training will increase (rather than decrease) alongside the expansion in their apprenticeship programmes.

Employers report a range of benefits and costs to apprenticeships but see benefits outweighing costs in the large majority of cases. Apprentices and diploma learners also identified various costs and benefits but felt that there were definite impacts on their earnings, careers and other aspects such as their confidence.

The returns to apprenticeships were calculated using the Net Benefits to Training methodology. The main point to note is that most employers do not have the detailed information in order to undertake this calculation. The second point is that the Net Benefits to Training calculation focuses on the short-term, whilst the apprentice is completing the apprenticeship and not beyond. On this calculation there is a net cost to the Assistant Accountant apprenticeship.

However, accountancy employers invest in apprenticeships for the longer term. Based on conservative estimates of benefits and the most expensive scenario for costs, employers would recoup the total costs of their apprentice investments after three years. As there are high retention and progression rates identified in the study, and based on UK-wide job tenure rates of 8-10 years in the worst case scenario (a levy payer recruiting existing employees as apprentices), employers are likely to at least double their investment.

The returns to apprentices and diploma learners are very similar. The costs to diploma learners (if they pay the programme fees themselves) are much higher than for apprentices.

Most apprenticeship costs are borne by the employer. The income returns are higher for diploma learners (at least in the first year after completion) because they tend to be older. But after the first year of graduation both apprentices and diploma learners are likely to be £4,500 better off.