APPRENTICESHIPS IN LONDON’S FINANCIAL AND PROFESSIONAL SERVICES SECTOR
A SURVEY OF BUSINESS USE
INTRODUCTION

Apprenticeship reforms were introduced in April 2017 to increase the quality and quantity of apprenticeships in England, with a target of three million new apprenticeship starts by 2020. As part of these reforms, the Apprenticeship Levy on employers was introduced.

The City of London Corporation launched a survey in May 2018 to understand how businesses are using their levy payments and what the impact has been, one year since the levy’s implementation.

The findings in this report reflect the insights gained from 129 responses from Financial and Professional Services firms located in London, who collectively pay over £27.3 million in apprenticeship levy contributions and employ over 329,000 people. The findings are a temperature check of the impact of the Levy on London’s Financial and Professional Services businesses.
Businesses with larger levy payments reported higher levels of levy use

Businesses paying over £500,000 per year in levy contributions had a higher frequency of using their investment than those paying less. The results do not indicate the amount of levy companies use, which can vary.

While businesses appear to want to maximize the use of their levy contributions, 63% do not expect to use their entire contribution before it expires after two years, and 20% are unsure if they will – only 17% of levy payers expect to use all their levy payments before they expire.

A diverse range of apprenticeship standards, levels and salaries are being offered by businesses

London is home to a highly skilled workforce and in 2017/18 accounted for 12% of all higher-level apprenticeship starts across the UK. Among the FPS firms we surveyed, businesses showed a preference for apprenticeships at Level 3 (34%) and Level 4 (28%).

When looking at higher and lower apprenticeships, businesses slightly preferred higher-level (Level 4, 5, 6 and 7) apprenticeships (56%) over apprenticeships at Levels 2 and 3 (44%).

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1 DfE, FE data library
Among survey respondents, the most popular apprenticeship standards were: **Accounting, Business Administrator, Finance Assistant, IT Assistant and Risk & Compliance**.

A review of apprenticeship vacancies within two-miles of the Square Mile in August 2018 found 128 FPS apprenticeships advertised across 21 standards. The most popular standards were Business Administrator/Business and Administration (30 vacancies), followed by 12 Infrastructure Technician apprenticeship vacancies. Of the 128 apprenticeships, 82% were at Level 2 and 3, whilst 18% were higher-level. Salaries ranged from £6,240 for a Level 2 Business Administration apprenticeship, to £23,587 for Level 6/7 Accountancy Taxation Professional.

Survey respondents reported a salary range of less than £20,000 to £40,000+. This reflects the standards and levels employers offer – one respondent offered a Level 7 MBA standard, likely taken up by experienced hires. 59% of apprentices were paid less that £20,000, which reflects the number of Level 2 and 3 apprenticeships offered by respondents (44%). This also suggests that a significant number of apprenticeships at Level 4 and above also pay salaries under £20,000.
BUSINESSES USE APPRENTICESHIPS FOR DIFFERENT REASONS AND THE NUMBER OF APPRENTICESHIPS IS LIKELY TO INCREASE

Some apprentices are helping to fill skills gaps within organisations

54% of businesses only offer apprentice positions to new recruits, 10% use apprenticeships to train existing staff and 36% use apprenticeships for both existing and new staff. This pattern is seen across all bands of levy paying and non-levy paying employers. When this data is compared to the standards commonly used, it suggests apprenticeships are being used to develop skills in entry-level and support roles.

This finding supports data from The Open University that 27% of employers are using the levy to build skills amongst existing staff, whilst over half are using it to train new recruits. Their survey of businesses in all sectors across the UK found “more than half (52%) expect to build technical and industry-specific skills, rather than where there are the largest shortages: digital and management.”

Businesses have mixed views about the ability of apprenticeships to address skills gaps: 18% said they do address skills gaps, whilst 34% said they address skills gaps in some areas. Responses varied according to the specific aims of the apprenticeship scheme within organisations, and businesses noted that the long-term nature of apprenticeships means the benefits of the training may not be realised until some time after completion:

“Currently our apprentice schemes are focused on providing opportunities for those from underprivileged backgrounds, rather than being viewed as a specific talent pipeline for the future.”

“There is some immediate closing of the skills gap. We are more taking the view of skills needed in 2019 onwards – therefore the benefit has yet to be realised.”

“By sourcing Web Development Apprentices, we can train them in cutting and bleeding edge technologies and fill that skills gap within our organisation. Our experience with apprentices thus far has been positive. We have found that apprentices are easier to retain and are committed to continuing their careers within our organisation.”

“It depends which apprenticeship standards are delivered/available and the prescriptive nature of apprenticeships. They don’t meet many skills needs.”

Responses suggest there is scope for businesses to increase their utilisation of apprenticeships in relation to the current and future skills shortages they are experiencing.

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2 The Open University (2018) The apprenticeship levy: one year on
For some businesses, apprenticeships support workplace diversity

Half of businesses said apprenticeships increased workforce diversity and helped their organisation recruit talent they may not have otherwise encountered.

“Information Technology has been a relatively male dominated industry and subsequently the makeup of our IT team has been predominantly male. One of our Web Development apprentices is female which is fantastic to see, therefore we hope to see more interest from female potential candidates contributing to a gender balance.”

 “[Offering] lower level apprenticeships means we’ve been able to recruit school leavers thereby reducing reliance on graduates... [widening] access. Employing school leavers also gives great age diversity (i.e. under 22’s).”

“[They can help us to] potentially tap into a more diverse applicant pool who are considering an apprenticeship rather than a role in a particular sector.”

Businesses expect the number of apprenticeships they employ will increase in future

53% of levy payers who are not currently using their payments intend to use them in future. London Business 1000 found a similar result across all sectors with around 60% of businesses who must pay the levy planning to use it².

Looking forward, apprenticeship hires are expected to remain at current levels or increase in FPS businesses. Most of the employers we surveyed were ambitious that the number of apprentices they hire over the next 12 months will increase (59%) or stay the same (38%). Only 3% expect the number to decrease.

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Apprenticeships are generally viewed positively by the FPS sector, and businesses agreed that there have been some benefits from paying the levy and hiring apprentices.

**Apprenticeships have supported the recruitment, development and retention of talent**

Businesses said the levy had positively impacted recruitment: 50% said the levy incentivised them to look at apprenticeships as a new recruitment and development option and 42% said it had made them consider new routes into the business. 22% said apprenticeships made their business more attractive to a more diverse range of candidates.

Businesses reported that apprenticeships had impacted talent development. 37% said apprenticeships demonstrated their businesses commitment to professional development, and 50% of respondents said the levy has created opportunities for training existing employees:

“We are only now realising the potential that the levy pot could offer in building training programmes for existing employees... it is providing options and ideas for those managers who struggle to recruit and retain talent and devise a team’s succession plan. The levy therefore could potentially offer a budget for an entire professional development and talent management platform, which is exciting.”

28% of businesses incorporate apprenticeships into their professional development programmes and 17% reported that apprenticeships have created a culture of learning, increasing motivation and engagement. Positively, 45% of businesses said that apprenticeships have opened new options for professional development and staff training.

“It has doubled the rolled-up L&D budget by 100% which has elevated the place of L&D to a strategic partner, it has opened the dialogue for capability at an EXCO level. It means we start the conversation with ‘what is the problem?’ not ‘is there money for this?’”

“The levy has allowed us to start to consider how we could approach learning and professional development more creatively - however as yet it has been difficult to implement at scale due to the lack of readiness of the most relevant apprenticeships.”

Employee retention is a key driver for employers, and 97% of businesses expect to convert apprentices into permanent staff after the apprenticeship ends. Despite this, just 16% of respondents said the levy had improved staff retention.

To retain qualified apprentices, 48% of businesses expect their apprentice to receive a salary increase or promotion; 16% expect their apprentice to start a second apprenticeship within their
organisation and 33% expect their apprentice to continue in their current role. 3% expect their apprentice to leave their organisation once qualified.

BUSINESSES EXPECT THE FOLLOWING OUTCOMES FOR THEIR APPRENTICES ONCE THEY COMPLETE THEIR TRAINING

- **36%** Receive pay rise
- **33%** Receive promotion
- **16%** Leave the business
- **12%** Start next apprenticeship here
- **3%** Continue in their role
BUSINESSES REPORTED BARRIERS TO TAKING ON APPRENTICES AND USING THEIR LEVY PAYMENTS

While apprenticeships are bringing some benefits, businesses reported that they have experienced several unintended consequences from paying the apprenticeship levy, and that some aspects of apprenticeship process and policy is deterring them from hiring apprentices.

20% off-the-job-training

The 20% off-the-job training requirement poses a barrier to both apprentices and employers. 52% of businesses said this requirement deterred them from hiring apprentices. Businesses said it was too much time away from the office and inhibited apprentices’ ability to perform their jobs as full members of staff.

“If it weren’t for the 20% off-the-job training requirement, we would be utilising our levy a lot more. Having such strict rules on when the off-the-job training needs to take place does not benefit our apprentices either as it makes it harder to juggle work and learning (e.g. when there are deadlines at work).”

“The 12-month minimum and 20% off-the-job training make the apprenticeship levy extremely difficult to utilise.”

“The 20% off-the-job element is restrictive. We also have a contingent workforce we pay the levy for but have very limited means to access it.”

“Disenchantment with the approach and lack of flexibility of the system. We face a multi-million levy bill, but the constraints and nature of our business means we are unlikely to be able to spend much of this.”

In some client-facing FPS businesses, employers said the rigidity of apprenticeships does not fit their work which demands flexibility and responsiveness from employees:

“Our colleagues already work long hours and days, and clients pay a significant amount of money for them to be on projects delivering client work.”

“The 20% off-the-job training doesn’t fit with consulting firms.”

Some businesses have struggled to recruit apprenticeships from existing staff, as employees are hesitant to take time out of the office in case it negatively impacts their career development. As one respondent said:
“We are trying to encourage staff to go down the apprenticeship route, but it is too much of a burden on their time given their day job - employees are reluctant to commit to this. Without the 20% [off-the-job training] requirement during working hours this would be a lot more realistic. Staff also feel that it impacts their career development negatively if they have to spend (more or less) a whole day a week away from their desks.”

Apprenticeships can deliver off-the-job training flexibly, with a mix of delivery options through the training provider and the employer a possibility. In practice, employers report that to negotiate and map existing training to the requirements of standards is an additional administrative burden. Businesses accept that high standards must be in place to ensure quality and safeguard the offer for the apprentice. For standards that are predominantly knowledge-based, defined learning hours are essential, and are often part of the professional qualification associated with the standard. However, for standards that are predominantly skills and behaviour focussed, flexibility on the 20% requirement may increase uptake.

**Apprenticeship costs and management**

88% of businesses said apprenticeships have placed additional financial burden on their business. Nearly half (46%) have invested additional resources into administering an apprenticeship programme; 23% said apprenticeships costs more than training through other means; 13% said apprenticeships have moved budget away from other learning and development, whilst 6% said they have reduced budgets in other areas to fund the levy.

These challenges demonstrate that building the infrastructure to create and manage an apprenticeship scheme, in addition to levy payments, can be a deterrent to companies as the costs quickly add up. As one respondent said:

“It’s been very administrative, and we have had to take on more people to support with that.”

Over a quarter of respondents do not use the levy and of these, 34% said a lack of HR capacity to administer apprentices was why they did not use payments. As one respondent said:

“We lack the resources to administer apprenticeships and almost all our recruitment is at the degree qualified level.”

Nearly a quarter (23%) of businesses said apprenticeships give them less control over the content of training. The range of available apprenticeship standards continues to grow, but for some, available standards do not meet skills needs.

“Apprenticeships support skills gaps in some areas, but it depends which apprenticeship standards are delivered/available and the prescriptive nature of apprenticeships. They don’t meet many skills needs.”

“The standards need further development to reflect the modern workforce and role requirements.”
The levy and its accompanying guidelines were implemented to ensure apprenticeship programmes provide meaningful jobs to apprentices. But businesses said they want more flexibility in the regulations to be able to fit apprenticeships to their business model.

In addition to these challenges, over half of businesses (52%) stated that limits on additional head count meant they could not take on apprentices and 45% of businesses reported that they lack vacancies suitable for an apprentice, leaving levy payments unused.

**Complexity of the apprenticeship system**

Many businesses said the apprenticeships system was a barrier to employing apprentices. Of those employers not using their levy, 48% said that the levy and apprenticeship processes were too complex. The process of setting up and supporting an apprentice proves a significant deterrent, as echoed by findings from other publications – 76% of respondents to the London Business 1000 stated that making the system simpler would be effective. Our respondents said:

“This is a good idea which has been very poorly executed. Instead of encouraging employers to take on apprentices, it acts as a deterrent. The rules are unclear, it has created a monopoly amongst certain training companies which has resulted in them increasing their prices and it requires a huge amount of administration. I suspect that most employers view it as a ‘payroll tax’ rather than a genuine attempt to encourage employers to take on more apprentices. A wasted opportunity to get more young people into work and provide additional skills to employees.”

“If the government had made the administration process simpler, and communicated the alternative uses that the levy could be spent on more clearly, then more of it would currently be being spent by those that pay it.”

**Concerns over training and standards**

Some businesses identified apprenticeship standards and training providers as barriers to employing apprentices. 28% said that they had been unable to identify apprenticeship standards which would support their business skills needs and 14% reported that they had been unable to identify a Training Provider to deliver the standard they needed. Only 34% said they were satisfied with the range of apprenticeship standards available, 29% said they were not.

“We are struggling to find suitable training providers who can provide high quality training and good customer service.”

“Improve apprenticeship provider companies.”

Another key rationale for the lack of apprenticeship uptake among levy payers was the perceived mismatch between the types of skills and experience apprenticeships provide and those needed by businesses. 52% said that apprenticeships do not fit their approach to training and recruitment, whilst 55% said they recruit graduates or other individuals who are already skilled.
Small and medium sized businesses have a unique set of challenges

“We are simply too small to recruit apprentices.”

20% of respondents were small or medium sized businesses, and nearly half pay the levy. Smaller employers reported having a different experience of apprenticeships to larger employers. In some cases, the business requires a specialist skill set that apprenticeships cannot provide, as one respondent shared:

“Our specialist business is based on people who have 20-30 years of high level experience.”

Small and medium sized businesses identified the lack of apprenticeship training providers, especially in specialist standards, e.g. compliance and risk, to be a barrier to them offering apprenticeships, with many saying they cannot find a training provider to offer the standard they require.

Smaller businesses are challenged with administering the programme with less resource, and for some businesses, the hiring and management of apprentices requires resources they do not have, meaning these businesses are forgoing apprenticeships because they lack the infrastructure to maximise the benefits.

“Cost recovery is too low to justify investment.”

“The standards and processes are too complex, and for a small organisation with no capacity to manage the administrative side of things and with no existing graduate, intern, apprenticeship programme in place, it is extremely difficult to utilise.”

“There is a big lack of HR resources to cover finding and managing an apprentice. We usually only recruit staff who already have the required experience, it takes too much time to train up a junior (we don’t have a graduate scheme as we’re too small).”
BUSINESSES SAID THE FOLLOWING CHANGES WOULD IMPROVE THEIR ENGAGEMENT WITH APPRENTICESHIPS

Changes to apprenticeship policy

1. Businesses said flexibility in how they can use their levy contributions would be beneficial. They highlighted:
   a. They would value the ability to use levy funds for other certified training, particularly in areas of skills shortages;
   b. They want a way around the 20% off-the-job training requirement, and for other training to be included as part of an apprenticeship.
2. Businesses said the ability to use levy funds to develop and manage their apprenticeship scheme would support them to hire apprentices.
3. Businesses would value the integration of industry specific professional qualifications in non-industry specific apprenticeships.
4. Businesses want new apprenticeship standards that meet their needs to be approved in a timely manner.

Changes to training provision

1. Businesses want an increase in open access courses so that smaller employers can engage with the apprenticeship system.
2. Businesses want training providers to bring together groups of employers to create and tailor apprenticeship training to their needs.
This research was developed using data collected from a business survey of 129 senior business figures based in London from the Financial and Professional Services sector. The survey was open from 30 April to 31 May 2018. Respondents represented businesses from across the Finance and Professional Services sector, including banking, investment, fintech, accounting, securities and brokerage, legal, insurance and actuarial. Many were from national and international businesses and they represented a range of small, medium and large businesses.

Data was also collected on the apprenticeships available within a two-mile radius of the Square Mile (EC2V 7HH) on 6 August 2018, all positions were live at that time. This data was collected from the Government ‘Find an apprenticeship’ service.

We would like to thank the 129 businesses who completed the survey and provided us with their valuable insights.
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