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Apprenticeships - a good career choice?

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Executive summary

This report highlights the value of apprenticeships and the benefits they can bring to individuals, organisations and the UK economy as a whole.

Value can be defined in many ways, financial, personal and professional, but 60% of teens say that money is the greatest influence on their future career decisions¹.

AAT's Apprenticeship Rich List highlights financial opportunities offered by apprenticeships, and outlines the highest net-worth former apprentices in the UK - defying the belief held by parents that apprenticeships cannot offer the same financial opportunities as the traditional academic route. The report also looks ahead to 2050/51, projecting future trends in apprenticeships uptake and sector growth.

The key findings of the research are:

- Parents are unaware of the possibilities offered by apprenticeships, with just half (52%) believing that apprenticeships are able to offer the same opportunities, professional and financial as traditional academic routes. Parents are the largest single influencers on teens' career choices. However, 22% of parents would discourage – or are unsure whether they would encourage – their children from doing an apprenticeship. 30% of them cite low pay as the reason behind this, despite the fact that people with an advanced level apprenticeship earn on average £100k more over the course of their career than those without.
- The lack of adequate careers advice is evident in the fact that 41% of teens did not know that 'white collar' apprenticeships in professions such as accountancy and law exist. The top three sectors people associated with apprenticeships were construction (58%), electrical (56%) and plumbing (56%). This is emblematic of the view held by many that apprenticeships, first and foremost, are the domain of trades such as construction. In fact, last year there were more apprenticeship opportunities in business, administration and law, than any other sector. By 2050/51, the greatest surge in apprenticeships will be seen in the service professions, such as management and health and social care. The largest growth overall is expected in the IT and telecoms sector with a 110% increase expected over the next 35 years.
- The UK economy is set to gain £100bn through apprentice recruitment by 2050, underlining the importance of implementing high-quality apprenticeship programmes across all business sectors.
- AAT's Apprenticeship Rich List highlights the earning power of apprenticeships, detailing the net-worth of the UK's wealthiest ex-apprentices. The top three names on AAT's Apprenticeship Rich List are Lord Bamford (ex-apprentice at Massey Ferguson and JCB Chairman - £3.1bn), Laurence Graff (ex-apprentice Jeweller and Founder of Graff Diamonds - £3bn) and John Caudwell (ex- engineering apprentice and Founder of Phones4U - £1.5bn). The list has a collective wealth of £20 billion. Other notable ex-apprentices are Jamie Oliver (ex-catering apprentice), David Beckham (ex-youth training scheme), Ozzy Osbourne (ex- apprentice toolmaker), Gordon Ramsay (ex-catering apprentice), Alan Titchmarsh (ex-apprentice at Ilkley Parks) and John Frieda (ex-apprentice hairdresser).

¹ Edge Foundation, OnePoll research, December 2014

Introduction

An apprenticeship is defined as a job with training that includes gaining recognised qualifications and essential skills whilst you are working and earning a wage.

Apprenticeships have been an important part of the employment landscape since the Middle Ages and offer significant advantages to both the apprentice, who gains valuable 'on the job training' in the new career, and the employer who has much to gain from the extra pair of hands and the prospect of having a supply of experienced staff for the future.

Potential benefits for the apprentice include enabling you to work alongside experienced staff, gain job-specific skills, study towards a related qualification (usually one day a week), earn a wage and get holiday pay.

Apprenticeships - a route to success?

People with an Advanced Level Apprenticeship earn on average over £100,000 more over the course of their career than those without.²

Some do significantly better than that. Research has revealed that apprenticeships can be the first step on the road to considerable wealth.

AAT research has revealed that the 40 richest former apprentices have a combined wealth of £20billion. This totally debunks the pervasive myth that apprenticeships can limit opportunities and earning potential.

First place on AAT's Apprenticeship Rich List 2015 goes to Lord Bamford, ex-apprentice at Massey Ferguson and current Chairman of JCB, with a net wealth of £3.15bn. Laurence Graff, Founder of Graff Diamonds, comes second with a wealth of £3bn, having started his career as an apprentice jeweller, aged 15.

² <https://nationalcareersservice.direct.gov.uk/advice/courses/typesoflearning/Pages/apprenticeships.aspx>

AAT's Apprentices Rich List³:

AAT Apprentice Rich List Ranking	Name	Apprenticeship type	Wealth £m	Source of wealth
1	Lord Bamford & Family	Apprentice at Massey Ferguson	£3,150	Construction equipment
2	Laurence and Francois Graff	Apprentice jeweller	£3,000	Diamonds
3	John Caudwell	Engineering apprentice	£1,500	Mobile phones
4	Sir Terry Matthews	Post Office Research apprentice	£1,190	Computers
5=	Jim McColl	Apprentice engineer	£1,000	Engineering
5=	Vladimir Makhlai	Turner's apprentice	£1,000	Industry
7	John Bloor	Apprentice plasterer	£750	Construction, motorcycles
8	Sir Arnold Clark & Family	Apprentice shoe designer	£675	Car sales
9	Lord Alliance & Family	Apprenticed into Grand Bazaar in Tehran	£650	Mail order, textiles
10	Trevor Hemmings	Bricklayer's apprentice	£625	Property
11	Michael Oliver & family	Apprentice engineer	£608	Engineering
12	Sir David McMurtry	apprentice machinist & fitter	£559	Engineering
13	Jack Tordoff & Family	Apprentice mechanic	£353	Car sales
14	Michael Oglesby & Family	Apprentice plumber	£325	Property
15	Dean and Janet Hoyle	Engineering apprentice	£284	Greeting cards
16	John Deer	Engineering apprentice	£268	Engineering
17	David Hood	Apprentice at hi-fi manufacturer	£265	Aviation, electronics
18=	Ron Dennis	Apprentice mechanic	£260	Motor racing
18=	Clinton, Spencer & John McCarthy	Apprentice carpenters / joiners	£260	Construction
20	Lord and Apurv Bagri	Apprentice metal trader	£250	Metals
21	Jamie and Jools Oliver	Westminster Catering College; catering apprentice	£240	Food, media
22	Peter Dawson & Family	Engineering apprenticeship	£216	Trucks
23=	David and Victoria Beckham	Youth Training Scheme (Football)	£210	Fashion, football

³ AAT's Apprentice Rich List – pls see the appendix for full methodology

23=	Lord Haughey & Family	Air conditioning and refrigeration apprentice	£210	Refrigeration
25	Mark and Mo Constantine	Apprentice hairdresser	£204	Cosmetics
26	Ringo Starr	Apprenticeship at Liverpool equipment manufacturer	£170	Music
27=	Rodger Dudding	Naval engineering apprentice	£160	Property
27=	Tommy Dreelan & Family	Heating, ventilation & plumbing apprentice	£160	Oil services
29	Kenneth Townsley	Airline traffic officer apprentice	£158	Travel
30=	John Frieda	Apprentice hairdresser	£150	Hairdressing
30=	Eric Clapton	Apprentice stained glass design	£150	Music
32	Stewart Milne & Family	Apprentice electrician	£135	Construction
33=	Ozzy and Sharon Osbourne	Apprentice toolmaker	£130	Music
33=	Marcus Margulies & Family	Watch factory apprentice	£130	Watches
35	Sir Tom Farmer	Garage apprentice	£128	Property, car parts
36	Ted Fort	Rolls Royce apprentice	£110	Engineering
37=	Ross Brawn	Apprentice mechanical engineer	£100	Motor racing
37=	Larry Kinch	Apprentice instrument engineer	£100	Oil, gas services
39	George Moore & Family	Apprentice joinery craftsman	£95	Furniture
40	Andrew Thorpe & Family	Apprentice at FW Thorpe	£90	Lighting

There are also many other examples of ex-apprentices who have gone on to high profile and lucrative careers. Some examples being:

- **Michael Caine:** apprentice plumber who became an actor.
- **Billy Connolly:** apprentice welder who became a comedian and actor.
- **Sir Alex Ferguson:** shipyard apprentice and ex-Manchester United manager.
- **Charlie Mullins:** apprentice plumber who now owns Pimlico Plumbers.
- **Gordon Ramsey:** started off as a footballer, but injury saw him become a catering apprentice. Now a chef and restaurateur with a high media profile.
- **Alan Titchmarsh:** former apprentice at Ilkley Parks, now a television presenter.

Advantages of apprenticeships

The benefits apprenticeships can bring to individuals are clear, with AAT's Apprenticeship Rich List illustrating the incredible wealth on offer to hardworking and successful workers. However, apprenticeships can also offer many and varied benefits to organisations and the UK economy as a whole. Advantages of apprenticeships to business:

- Apprenticeships provide businesses with the skilled workers that they needs for the future. This is vital for business continuity, to provide a supply of skilled young recruits as future replacements for an ageing workforce.
- Apprentices are less expensive to recruit and train than experienced workers, and they provide a supply of workers with the qualities and skills that the business needs.
- Apprenticeships provide a way to recruit new staff or retrain or up-skill existing staff.
- Apprenticeships can also tackle future skills shortages, thereby helping to future proof the company by succession planning.
- Apprentices are likely to stay with the business, thereby reducing staff turnover.
- Good apprenticeship schemes can enhance the reputation of the company.

After finishing an apprenticeship, the majority (85%) will stay in employment, with 64% staying with the same employer⁴.

Whilst companies of all sizes offer apprenticeships, it is vital that word is spread and that more organisations understand and embrace the advantages of implementing an apprenticeship scheme. In the 2011 budget, the Chancellor of the Exchequer said that "in Austria, Germany and Switzerland, around one in four employers offer apprenticeships. In England fewer than one in 10 do."

Grant Thornton has suggested that the number of apprenticeships offered would increase if there was an exemption from employers' and employees' National Insurance Contributions (NIC) for the duration of apprenticeships. It estimates that the cost to the government in 2015/16 would be £417 million if the NIC exemption was adopted.⁵

The attraction of apprenticeships

Despite these issues, the number of apprenticeships has continued to rise. Between 2005/6 and 2013/14 the number of apprenticeship starts in England rose by 152%.

Number of apprenticeship starts in England⁶

Period	Apprenticeship starts in England
2013/14	440,400
2012/13	510,200
2011/12	520,600
2010/11	457,200
2009/10	279,700
2008/09	239,900
2007/08	224,800
2006/07	184,400
2005/06	175,000

⁴ <http://nas.apprenticeships.org.uk/be-an-apprentice/the-benefits.aspx>

⁵ <http://www.grant-thornton.co.uk/Thinking/apprenticeships-could-a-National-Insurance-contributions-exemption-solve-the-UK-skills-gap/>

⁶ BIS FE data library: apprenticeships

Based on the number of apprenticeship starts over the period 2005/06 through to 2013/14, the logarithmic trend suggests that there will be 750,000 apprenticeship starts in 2050/51. However many of the former years on which the trend is based were in periods of recession. This factor has had an undoubted effect on the resultant trend forecast.

Apprenticeships offer the opportunity to develop valuable skills, but there are many additional factors driving an increased interest in apprenticeships:

- A huge proportion of young people (49%⁷) are likely to enter university. The changes to student funding and the prospect of leaving university with massive debts, averaging more than £44,000⁸, make opting for an apprenticeship, instead of going to university, an increasingly attractive option.
- Youth unemployment is decreasing (764,000 young people aged 16-24 were unemployed in September to November 2014, down 171,000 on the previous year⁹), but there is still a scarcity of jobs. Many university graduates are struggling to find employment, or are taking on jobs that they hadn't envisaged. The latest ONS figures on graduate performance in the labour market found that almost half (47%) of graduates are in roles that do not require a degree. Apprenticeships are a clear route into a career.
- The school and college leaving age is increasing from 16 to 18 for young people born after 1st September 1997. Young people undertaking an apprenticeship or traineeship are exempt from the raised school/college leaving age, which may lead to an increased interest in apprenticeships post-16.

Apprenticeship starts by age

Since 2009/10, the number of apprenticeship starts has remained surprisingly static for the under-19 age bracket, given the large increase in uptake generally. The largest area of growth can be found amongst those aged 25+, where the number of funded apprenticeships by age has increased by 279% since 2009/10. Looking ahead to 2050/51, this number continues to rise. The ever-increasing growth of the 25+ age group starting apprenticeships bucks the notion that apprenticeships are purely for students fresh out of school, showing that they are a popular and useful pathway to gaining new skills and embarking upon a new career.

Funded Apprenticeships by age¹⁰

Age	2009/10 (000's)	2010/11 (000's)	2011/12 (000's)	2012/13 (000's)	2013/14 (000's)	Projection ¹¹ for 2050/2051 (000's)
Under 19	186	203	190	181	186	178
19 to 24	211	252	272	294	309	318
25+	94	211	345	393	357	471
Total	491	666	807	869	852	968

⁷ <http://www.bbc.co.uk/news/education-22280939>

⁸ <http://www.ifs.org.uk/comms/r93.pdf>

⁹ <http://www.parliament.uk/business/publications/research/briefing-papers/SN05871/youth-unemployment-statistics>

¹⁰ BIS FE data library: apprenticeships

¹¹ Based on logarithmic future trend based on number of Funded Apprenticeships by age in the twelve years from 2002/03 to 2013/14

Busting the manual labour myth

The apprenticeships currently available cover a very wide range of business areas. Surprisingly, 41% of teens are unaware that apprenticeships exist in professions such as accountancy and law, perpetuating the stereotype of apprenticeships as the domain on manual labour careers.

The most popular apprenticeships by business/framework area in 2013/14¹²

Business/ framework area	2009/10 (000's)	2010/11 (000's)	2011/12 (000's)	2012/13 (000's)	2013/14 (000's)	Projection for 2024/25 (000's)	Projection ¹³ for 2050/51 (000's)
Health and Social Care	18	54	71	81	70	125	85
Business Administration	27	39	45	49	44	63	56
Management	10	30	45	48	33	68	55
Hospitality and Catering	21	30	36	36	32	46	35
Customer Service	29	54	59	45	31	50	61
Children's Care Learning and Development	20	27	26	26	24	29	34
Retail	17	41	31	25	17	25	33
Engineering	15	18	13	14	16	15	18
Construction Skills	14	16	14	14	16	16	17
Industrial Applications	1	4	19	15	15	30	18
Hairdressing	16	16	17	16	15	15	18
IT and Telecoms Professionals	8	12	12	9	10	12	21 (* based on trend from 2007/08)
Active Leisure and Learning	11	18	16	12	9	11	18
Vehicle Maintenance and Repair	10	9	8	8	9	7	10 (* based on trend from 2005/06)
Warehouse and Storage	3	6	7	7	7	11	12 (* based on trend from 2004/05)

¹² BIS FE data library: apprenticeships

¹³ Based on logarithmic future trend based on number of Apprenticeships in the twelve years from 2002/03 (except where stated in cases where data for the earliest years was unavailable) to 2013/14

Accountancy	5	7	8	8	7	10	10
Electrotechnical	5	6	5	5	5	5	6
MES Plumbing	5	5	4	5	5	5	6
Public Services	2	1	3	4	4	6	6 (* based on trend from 2004/05)
Sales and Telesales	2	2	4	4	4	6	6 (* based on trend from 2003/04)
Supporting Teaching and Learning in Schools	1	4	6	7	4	10	8 (* based on trend from 2003/04)
Driving Goods Vehicles	3	4	8	6	4	8	8

It should be noted that the projections in the final column of the table above are based on apprentice number trends generated during a period of economic recession and higher unemployment.

Government funding for apprenticeship starts

The government offers a £1,500 Apprenticeship Grant for Employers of 16 to 24 year olds to businesses with less than 50 employees, for up to 5 apprentices. The grant is only available to employers that have not taken on an apprentice in the last year.

Funding is also available for training costs from the Department for Education if the apprentice is aged under 19. The Department for Business Innovation and Skills offers funding for apprentices aged 19 and over. The contribution depends upon the age of the apprentice:

- 100% of the training costs if the apprentice is aged 16 to 18;
- 50% of the training costs if the apprentice is aged 19 to 23;
- Up to 50% of the training costs if the apprentice is aged 24 and over.

Government-funded apprenticeship programme starts¹⁴

Apprenticeship Level	2009/10 (000's)	2010/11 (000's)	2011/12 (000's)	2012/13 (000's)	2013/14 (000's)	Projection ¹⁵ for 2050/2051 (000's)
Intermediate	177	278	303	270	264	436
Advanced	84	146	178	196	138	282
Higher	1	2	4	9	9	16
Total	263	427	485	475	410	734

¹⁴ <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

¹⁵ Based on logarithmic future trend based on number of Government funded Apprenticeship programme starts in the seven years from 2007/08 to 2013/14

Apprenticeships boost to the economy

Apprenticeships provide substantial benefit to individuals and businesses, and the UK economy as a whole. Research for AAT by The Centre for Economics and Business Research (CEBR) found that apprentices delivered nearly £1.8 billion of net benefits to organisations in the UK in 2012/13, with the average apprentice giving UK organisations a net benefit of £1,845.¹⁶

A separate report by CEBR forecasted that apprentices would contribute £34 billion to the UK economy in 2014. The figure included gains to the economy from higher wages, business profits and taxes of £31 billion per year, an estimated reduction in unemployment benefits of £370 million per year, and benefits to organisations while training apprentices of £1.9 billion per year. If the upward trend in apprenticeship recruitment continues “the national economy stands to gain £50 billion by 2025 and £101 billion by 2050. If the number of employers taking on apprentices rises still further, these benefits could increase by £8 billion in 2050, giving a total gain of £109 billion.” CEBR also found that for every £1 that is spent on apprenticeships, the national economy gains £21.¹⁷

The National Audit Office found that the economy gained around £18 for every £1 of government funding on apprentices¹⁸.

From a government revenue and expenditure perspective, apprenticeships increase employment leading to increased tax receipts from income tax, National Insurance, VAT (on individuals' spend) and higher corporation tax. Similarly, increased employment would reduce benefit payments.

Public perception

Research¹⁹ conducted on behalf of AAT found that one-third (33%) of parents would encourage their children to do an apprenticeship whereas 12% would not. The reasons that parents gave for not encouraging their children to do an apprenticeship were:

- A third (36%) want their children to go to university;
- A third (30%) don't think apprenticeships are paid enough;
- A third (30%) don't think apprenticeships are academic enough;
- Almost a fifth (17%) don't think apprenticeships are prestigious enough.

Two major public misconceptions about apprenticeships were revealed:

- Over half (55%) of parents are unaware that an apprenticeship can lead to a career in professions such as accountancy;
- One in five (21%) parents don't know that apprentices are paid while they learn.

The majority of parents think that apprenticeships generally lead to traditional manual labour careers such as construction and plumbing. The following table shows the main potential careers with which parents associate apprenticeships.

¹⁶ *The Value of Apprenticeships* – AAT and CEBR, March 2014

¹⁷ <http://www.cebr.com/reports/economic-impact-of-apprenticeships/>

¹⁸ http://www.nao.org.uk/wp-content/uploads/2012/02/10121787_Technical_paper.pdf

¹⁹ Research conducted by OnePoll in January 2015, surveyed national representative sample of 1,000 UK parents of children aged 14-18 and 1,000 UK teenagers aged between 14 and 18.

% of parents	Careers parents believe apprenticeships can lead to
58%	Construction
56%	Electrician
56%	Plumbing
54%	Painting & decorating
21%	Accountancy
17%	Banking
16%	Medicine
16%	Law

However, the increase in university tuition fees coupled with the amount of debt likely to be run up whilst at university is starting to have a noticeable effect upon public opinion. 40% of the parents questioned went to university yet when asked whether they would still have gone if, like today's graduates, they had left with £50,000 of debt, over a quarter (27%) of them said they would have done an apprenticeship instead. As a result of increased university fees, almost half (45%) of parents would encourage their children to do an apprenticeship.

There's also a lot of confidence about apprenticeships with almost three in five (59%) parents believing that apprenticeships will become more popular in the next ten years. Just over half (52%) of parents think that apprenticeships can offer the same professional and financial opportunities as traditional academic routes such as university.

Conclusion

Apprenticeships provide clear benefits for apprentices, employers, the government and society in general. There are many reasons why an apprenticeship can be an attractive career option for the individual, and there are external factors which may encourage learners to start an apprenticeship.

The number of apprenticeships available looks set to increase, which will greatly benefit the UK economy. Companies have much to gain from offering apprenticeships, both in terms of nurturing and securing a supply of tomorrow's skilled employees and the reputational kudos of offering a good apprenticeship scheme.

Many high profile business leaders take an active role in promoting the benefits and rationale for apprenticeships and should be applauded for doing so. However, an ongoing educational and informative campaign is required to increase the number of organisations and companies offering apprenticeship schemes.

The government, along with wider society, needs to play its part in encouraging apprenticeships. It is encouraging to see all major political parties pledging to work on increasing the number of high level apprenticeships in the run up to the 2015 general election.

Apprenticeships provide valuable skills-based opportunities, kick-start careers, reduce unemployment and deliver tomorrow's taxpayers. There is little reason to doubt the CEBR's estimate that apprenticeships could be contributing over £100 billion to the economy by 2050. If the successive future governments increase the number of apprenticeships considerably, then the value of apprenticeships to the economy could be significantly higher still.

Based on the number of apprenticeships starting over the period 2005/06 to 2013/14, the trend suggests that there will be 750,000 apprenticeships starting in 2050/51. This is an increase of 70% on 2013/14 – suggesting that the future looks set to be even brighter for the apprentices of tomorrow.

Appendix

AAT's Apprentice Rich List methodology

The Apprentice Rich List is an original piece of work in its entirety. Wealth is identified as stakes in companies or via sales of companies. The list accounts for brand names, book sales and the like in valuations. Individuals have been ranked based on estimations of wealth identified using information available in the public domain and from financial sources such as Companies House. For additional accuracy, the names of the individuals, the estimates of their wealth and the source of their wealth have been cross referenced with the 2014 Sunday Times Rich List compiled by Philip Beresford.

Futurology methodology

Based on logarithmic future trend based on number of apprentices in the twelve years from 2002/03 (except where stated in cases where data for the earliest years was unavailable) to 2013/14.