



The Benefits of Apprenticeships to Businesses

A report for the Skills Funding Agency

March 2015

Cebr

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This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Scott Corfe, Cebr Associate Director with analytical and research support from Cebr Economist Danae Kyriakopoulou. The views expressed herein are those of the authors only and are based upon independent research by them.

London, March 2015

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1. Executive Summary

This report examines the benefits that apprentices can offer businesses across the UK both while they are training and long after they have completed their apprenticeships. The research also considers the extent to which apprenticeships can help address skills shortages which are starting to become a constraint on growth across much of the UK economy.

The key findings of the research are as follows:

- **The number of apprenticeship starts has grown dramatically over the past decade**— In 2013/14 there were 440,400 apprenticeship starts in England alone, about double the number seen in 2007/08.
- **Overall, apprentices, while training, are estimated to have resulted in a positive net gain to employers of on average £1,670 per apprentice in England in 2013/14. This implies a total annual benefit of all apprentices in training of about £1.4 billion to the English economy.**
- **Once an apprentice has completed training, there are additional long-lasting benefits, both for the apprentice and for businesses.** Long-term productivity gains from apprenticeships were found to be highest in the engineering & manufacturing sector and the construction & planning sector, at £19,900 and £19,200 per year respectively. Fresh analysis of previous Cebr reports has calculated that each apprenticeship created is worth an estimated £38,000 to the economy in the long term.
- **Households would be willing to spend as much as £18 billion per year more if all businesses took on apprentices,** with consumers willing to pay a price premium from knowing that companies are investing in local jobs and skills through apprenticeships.
- **One in ten consumers surveyed said they would be more likely to visit a store and make a purchase if they knew that a business employed apprentices.** This amounts to about 5 million UK adults.
- **Further, a quarter of consumers (25%) said that they would be more or much more likely to pay extra for goods and services offered by businesses and organisations employing apprentices.**
- **Over two thirds (67%) of consumers surveyed agreed that offering apprenticeships is “a key part of a company’s engaging with, and contributing to, society”** according to a new bespoke survey commissioned as part of this research which sought to gain an understanding of consumers’ attitudes towards businesses that employ apprentices.
- **Companies which offered apprenticeships were most strongly associated with supporting the local community (according to 42% of survey respondents), providing opportunities for young people (65%), and with being a good place to work (43%).** Moreover, one in five consumers associated companies offering apprenticeships with goods and services of high quality, and one in four with a friendly service.
- **Employers report that apprenticeships bring added gains to their business above and beyond the narrow benefits of productivity and economic output.** “Other benefits” of apprenticeships, as identified by employers, included a better image in the sector, improved staff retention levels and improvements in staff morale.

2. Introduction

This report examines the benefits that apprentices can offer businesses both while they are training and long after they have completed their apprenticeships. The research also considers the extent to which apprenticeships can help address skills shortages which are starting to become a constraint on growth across much of the UK economy.

Even while an apprentice is undertaking an apprenticeship and not fully qualified, many employers will see economic benefits over and above wage and training costs. Many businesses are also entitled to subsidies if they hire apprentices, further offsetting costs such as wages. Consequently, even before the full productivity gains of a completed apprenticeship are realised, many businesses can expect to reap benefits from hiring an apprentice. In this report, Cebr has estimated the average annual employer gain for different types of apprenticeship in England and its regions. We have also quantified the longer term benefits to businesses and the economy more broadly once apprentices are fully qualified.

In addition, we have undertaken new consumer research to examine the price premiums and increased consumer demand that businesses can expect to realise from taking on apprentices, as well as the extent to which apprenticeships can help improve an organisation's reputation.

The structure of this report is as follows:

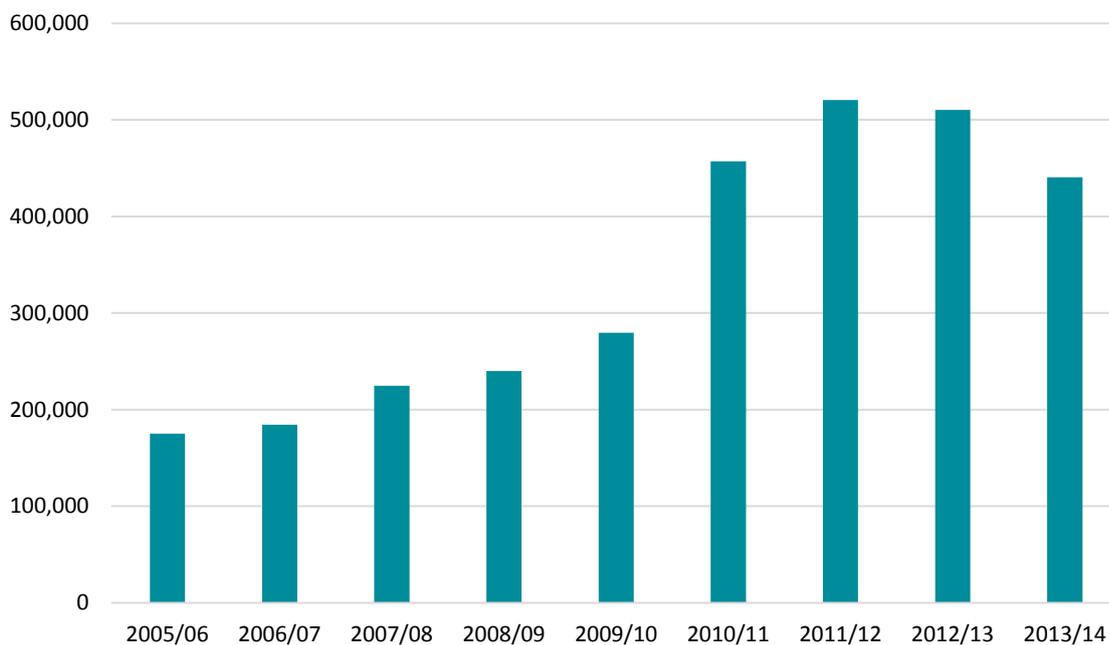
- **Section 3** examines recent trends in apprenticeship numbers, split by region and subject area.
- **Section 4** quantifies the short-term benefits that businesses can expect to realise through taking on apprentices.
- **Section 5** quantifies the longer term productivity benefits businesses can expect to realise from hiring apprentices.
- **Section 6** considers some of the less tangible benefits that businesses can expect to realise from taking on apprentices.
- **Section 7** examines new consumer research into households' perceptions of businesses that provide apprenticeships.

3. Recent trends in apprenticeships

The number of apprentices in England has increased significantly since the financial crisis

Apprenticeship starts have grown sharply since the financial crisis, as shown by Department for Business, Innovation and Skills data illustrated in Figure 1 below. In 2013/14 there were 440,400 apprenticeship starts in England, about double the number seen in 2007/08.

Figure 1 Number of apprenticeship starts in England



Source: Department for Business, Innovation and Skills.

The number of apprenticeship starts is spread across the regions, as shown in Figure 2 below. There were 71,670 starts in the North West of England – the highest of the English regions. The lowest number of starts was in the North East, at 30,480.

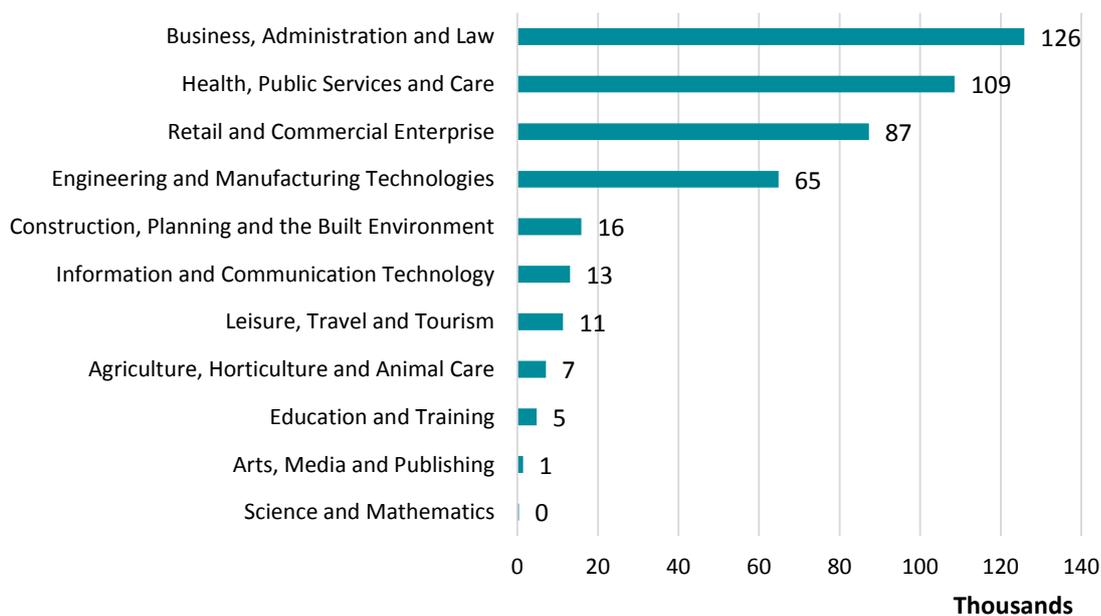
Figure 2: Number of apprenticeship starts by region in 2013/14



Source: Department for Business, Innovation and Skills

By sector subject area, the most popular subject for apprenticeship starts in 2013/14 was Business, Administration and Law, with 125,900 starts in England. The next most popular subject areas were Health, Public Services & Care (108,560 starts) and Retail & Commercial Enterprise (87,270 starts). Despite a common perception that apprenticeships relate to manual work, the majority of apprenticeship starts are in the services sector, which accounts for about three quarters of UK economic output.

Figure 3: Number of apprenticeship starts by sector subject area, England, 2013/14



Source: Department for Business, Innovation and Skills

4. Benefits of apprentices while training

This section of the report examines the benefits apprentices offer businesses while they are training.

Even while an apprentice is undertaking an apprenticeship and not yet fully qualified, many employers will see economic benefits over and above wage and training costs. Many businesses are also entitled to subsidies if they hire apprentices, further offsetting costs such as wages. Consequently, even before the full productivity gains of a completed apprenticeship are realised, many businesses across England can expect to reap benefits from hiring an apprentice. In this report, Cebr has estimated the average annual employer gain for different types of apprenticeship in England and its regions.

Put simply, the gain to an employer of hiring an apprentice can be summarised as follows:

Employer gain = apprentice output + apprentice subsidies – apprentice wages – apprentice training costs

That is, the benefit to an employer from hiring an apprentice is the value of the economic output produced by an apprentice, plus any subsidies received, less wage and training costs.

The employer gains will vary across different apprenticeship frameworks, given that typical apprentice wages and training costs vary across frameworks. For some frameworks, where a high level of training is required before an apprentice can become economically productive (such as engineering), the economic output of an apprentice may be relatively low during the initial period of the apprenticeship, though this clearly rises as the apprentice becomes more experienced.

Cebr has estimated the average annual employer gain for different types of apprenticeship in England and its regions. To do this Cebr has:

- Drawn on data in the Department for Business, Innovation and Skills (BIS) Apprenticeship Pay Survey to assess typical apprentice wages in England.
- Drawn on guidelines on eligibility for apprenticeship subsidies.
- Estimated apprenticeship training costs based on the time cost of an experienced member of staff training an apprentice, and also BIS survey information on off-the-job training.
- Estimated the economic output of an apprentice based on typical employee output in different sectors of the economy. This typical output is adjusted for the fact that apprentices usually work different hours to experienced workers (some of which is spent training), and also for the fact that apprentices cannot undertake all the tasks of an experienced employee.

Economic output of an apprentice

Organisations – both public and private sector – benefit from the economic output produced by apprentices. Apprentices are undergoing a training process through which they are being equipped with new skills, and as such they cannot be expected to be as productive as an experienced worker. However, apprentices are still economically productive and their ability to match the economic capacity of an experienced worker increases with the duration of an apprenticeship.

Cebr has modelled the value of the economic output of an apprentice for different types of framework. To do this, we have used data in the ONS Annual Business Survey (ABS), which provides information on the link between economic output and employment costs in different sectors¹. We have combined the information in the ABS with wage data in the ONS Annual Survey of Hours and Earnings as well as existing literature on the productive capacity of apprentices in terms of the extent to which they can replicate tasks undertaken by skilled workers². Therefore, we have adjusted for the fact that, as an apprentice is on a learning curve, they are not as productive as a skilled worker. The value of the output produced by an apprentice will, on a per hour basis, be lower than that produced by a qualified worker.

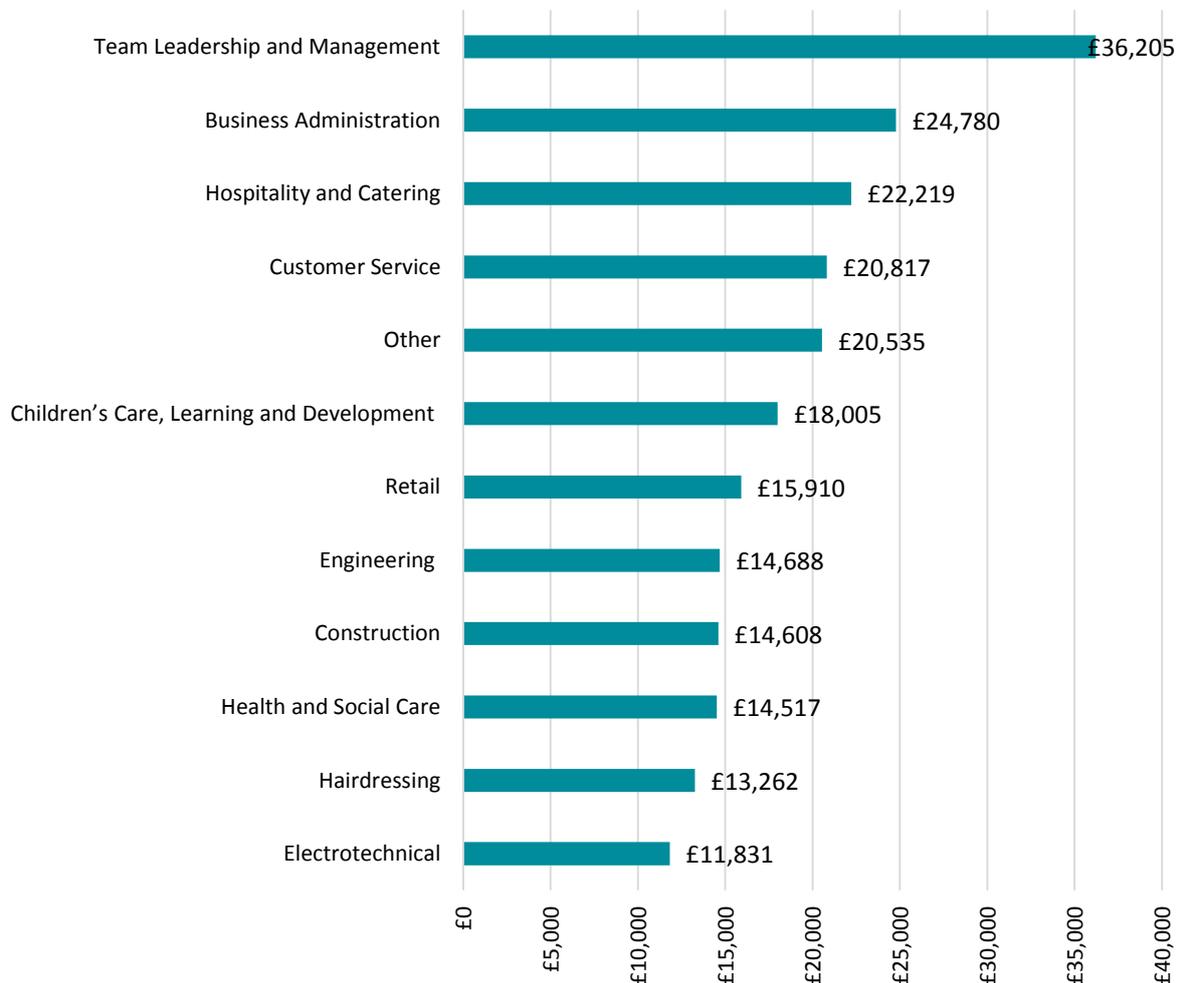
The calculations take account of the fact that apprentices work different hours to typical workers in each sector, and the fact that some of an apprentice's time is devoted to training rather than economic activity.

Figure 4 presents Cebr's estimates of the economic output produced by apprentices for different frameworks.

¹ Note that our approach here is different to some of the existing literature, which often assumes that the salary of a skilled employer is exactly equal to the value of their economic output. This is a strong assumption, which does not hold true in most cases. For most industries, the value of the economic output produced by an employee is greater than the salary paid to the employee. As such, some of the existing literature probably underestimates the value of the economic output produced by apprentices.

² See, for example, McIntosh (2007), "A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications", Hogarth and Hasluck (2003), "Net Costs of Modern Apprenticeship Training to Employers" and Hogarth and Hasluck (2008), "The Net Benefit to Employer Investment in Apprenticeship Training".

Figure 4: Average annual value of the economic output produced by an apprentice in England, by framework, 2013/14

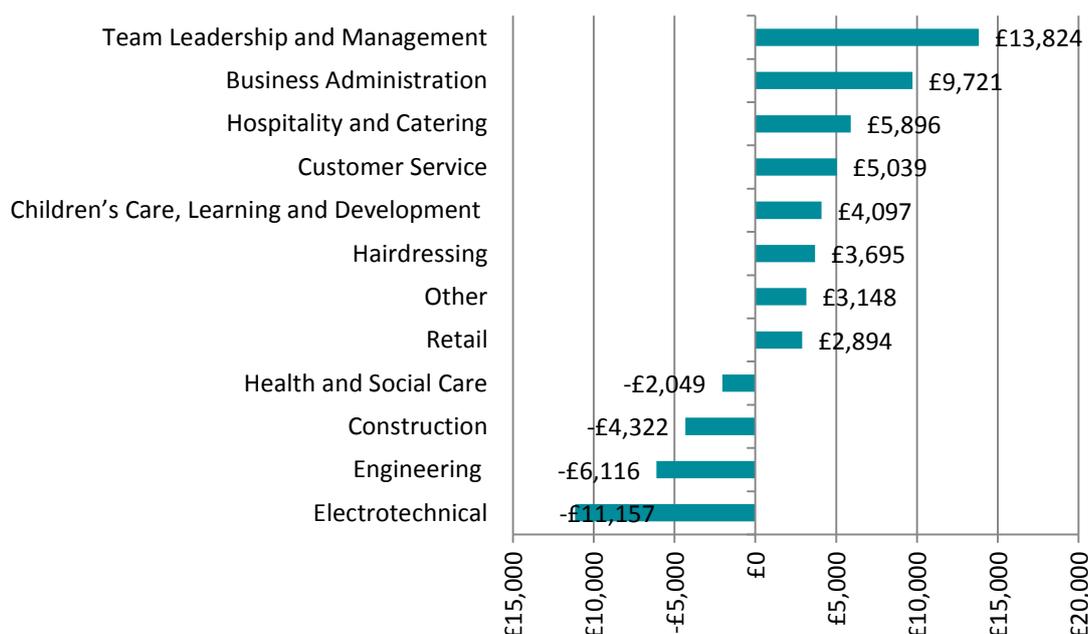


Source: Cebr analysis

It is notable that the link between apprentice framework and economic output is not simply related to the wages of a skilled worker in each sector. For example, the economic output of a Customer Service apprentice is fourth highest among the frameworks shown in Figure 4, despite the fact that average wages for customer services occupations are relatively low compared with sectors such as engineering and construction. Although the construction and engineering sectors might produce a more valuable output (on a per worker basis) than customer services, apprentices in customer services can work much closer to the output of a fully-trained worker than is the case for apprentices in these sectors.

Figure 5 below presents Cebr’s estimates of the annual net benefit to an organisation from hiring an apprentice – economic output plus subsidies less training and wage costs - by framework.

Figure 5: Average annual organisational net benefit from hiring an apprentice in England, 2013/14



Source: Cebr analysis

For some frameworks such as Engineering, Electrotechnical, and Construction the average net gain to the employer is negative in the short-run. This reflects the level of training required in these fields before an apprentice’s productive capacity approaches that of a skilled worker. Net gains are realised in these sectors after an apprentice has qualified and is fully-skilled.

Services sector apprenticeships had a positive net benefit to organisations, with the net benefit highest for Team Leadership & Management apprentices followed by Business Administration apprentices.

Overall, apprenticeships are estimated to have resulted in a positive net gain to employers while training, of on average £1,670 per apprentice in England in 2013/14. Summing up the estimated number of apprentices in 2013/14, this implies a total annual benefit of about £1.4 billion.

The North West of England is estimated to have had the highest annual net benefit in 2013/14, at £210 million, followed by the South East (£206 million) and West Midlands (£183 million). The North West sees the highest benefit because the region had the largest number of participating apprentices in 2013/14 of all of the English Government Office Regions.

Figure 6: Organisational net benefits from apprentices, by region, £ millions. 2013/14



Source: Cebr analysis

Net benefit *per apprentice* is highest in London, at £2,236 per annum, reflecting the relatively high level of economic activity in the capital – output per worker tends to be higher in London than in other regions, for most occupations. Apprentices on average make a positive economic contribution in every English region.

Figure 7: Organisational net benefits per apprentice, by region, 2013/14



Source: Cebr analysis

5. Quantification of longer term benefits from retained apprentices

This section examines the longer-term economic effects of apprenticeships. Apprenticeships are generally thought of as having an economic impact on all three parties involved, namely the apprentices themselves, their employers, and the government. The total benefits and costs (short and long term) can be summarised neatly in the following table:

Table 1: Benefits and costs for apprentices, employers, and the government

	To the apprentice	To the employer	To the government
Benefits	Higher employability, Higher earnings (longer term)	Higher productivity, Incentive subsidy	Reduced benefit costs, Taxes
Costs	Lower earnings compared to non-apprentice employment at time of training	Training costs	Subsidies, Grants, Possible foregone earnings in short term

Source: Centre for Economics and Business Research (2014)

Apprenticeship completions and employment

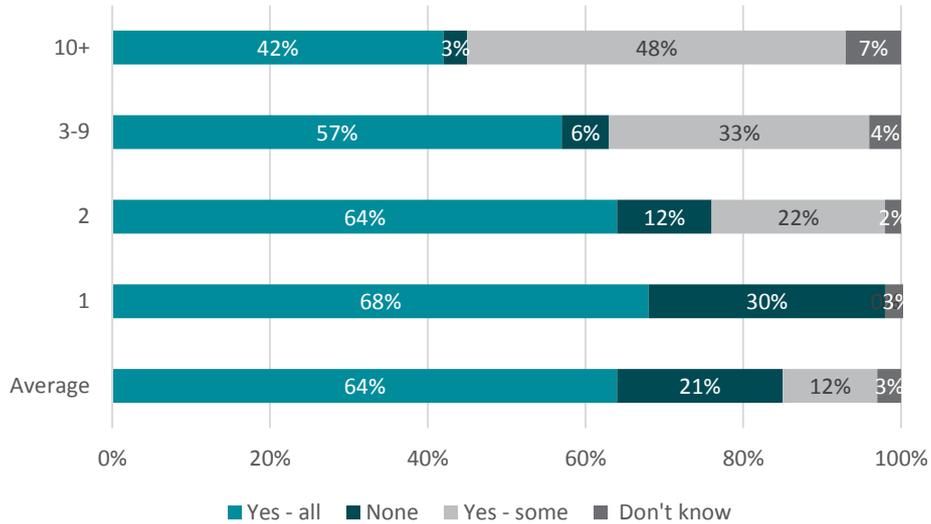
Concentrating on the long-term effects, apprentices themselves are the ones to gain the most. Evidence from a National Audit Office (NAO) study on the subject³ found that post-completion, apprentices are more likely to be in employment, compared to similar people without an apprenticeship. The difference amounts to 3.6 percentage points for those studying at the advanced level and 1.6 percentage points for those studying at the intermediate level. The NAO study further claims that apprenticeships positively impact on the likelihood of finding employment throughout one's lifetime.

Whether these employment benefits are shared by the employers who invested in the training depends on the extent to which apprentices stay with their employer after completing training. In a survey of employers providing apprenticeships conducted on behalf of the Department for Business, Innovation, and Skills (BIS)⁴, over three-quarters of the employers surveyed said that some or all of their former apprentices were still working for them. As Figure 8 below shows, the more apprentices an employer had trained, the more likely that at least some of them were still working for them.

³ National Audit Office, Adult Apprenticeships, 2012

⁴ Department for Business, Innovation, and Skills: Apprenticeships Evaluation, August 2013

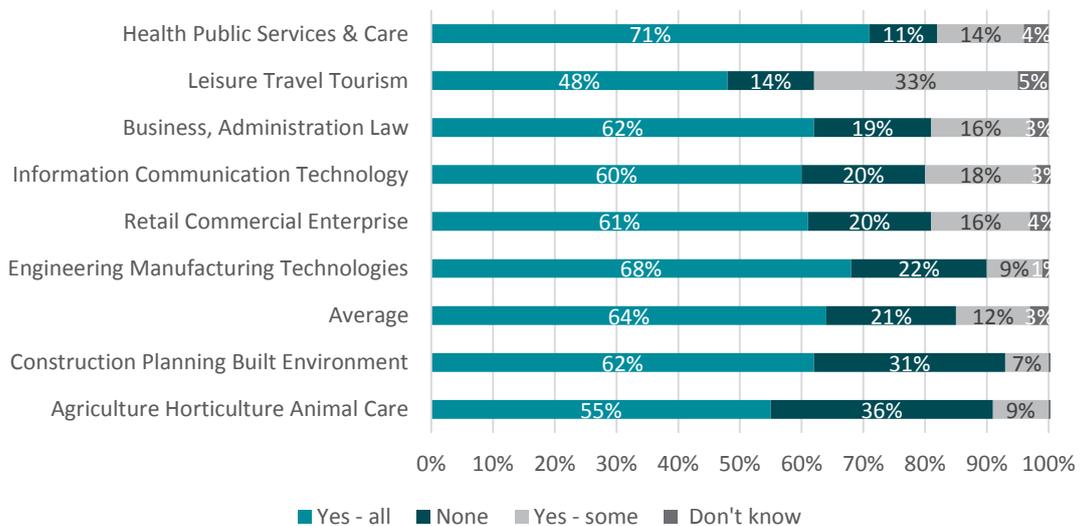
Figure 8: Employers’ responses to the question “Is/are apprentices who finished training still working at your organisation?” sorted by the number of apprentices



Source: Department for Business, Innovation, and Skills (2013), Cebr analysis

From a sector-perspective, staff retention levels were highest in the Public Services & Health Care sector, where 85% of employers said that at least some of the apprentices trained were still working for them. The full findings are shown in Figure 9 below.

Figure 9: Employers’ responses to the question “Is/are apprentices who finished training still working at your organisation?” sorted by sector

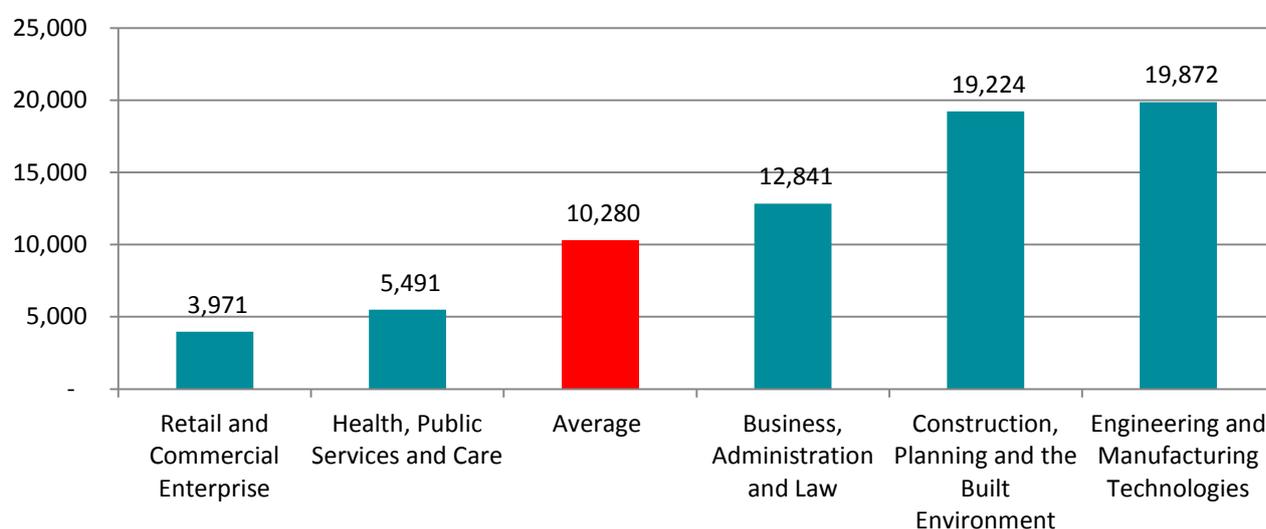


Source: Department for Business, Innovation, and Skills (2013), Cebr analysis

Apprenticeship completions and productivity

Productivity gains from apprenticeships are felt differently in different sectors. In this section, we build on the work of Hasluck et al (2008)⁵ who quantified productivity increases from completed apprenticeships as percentages of the average wage of an “experienced” employee in each sector. Using these in conjunction with Labour Force Survey data on the average wage of an “experienced” employee, we were able to estimate the impact of apprenticeships on worker productivity for different sectors, as shown in Figure 10 below.

Figure 10: Apprenticeship productivity gains in different sectors (£ per annum)



Source: Office for National Statistics, Labour Force Survey; Hasluck et al (2008); Cebr analysis

The findings relating to the rise in productivity of a typical apprentice can be summarised as follows:

- £4,000 per year in the retail sector;
- £5,500 in the healthcare, public services and care sector;
- £12,800 in the business, administration, and legal sector;
- £19,200 in the construction & planning sector;
- £19,900 in the engineering & manufacturing sector;
- £10,300 for a typical apprentice across the economy.

As such, although training costs are higher for apprentices in areas such as construction and engineering, as shown in the previous section of this report, the longer term productivity gains are greater.

Fresh analysis of previous Cebr reports suggests that each apprenticeship created is worth an estimated £38,000 to the economy in the long term after training has completed.

⁵ Hasluck et al (2008), The net benefit to employer investment in Apprenticeship training, Apprenticeship Ambassadors Network. Quoted in City & Guilds, Feb 2012, The Economic Value of Apprenticeships.

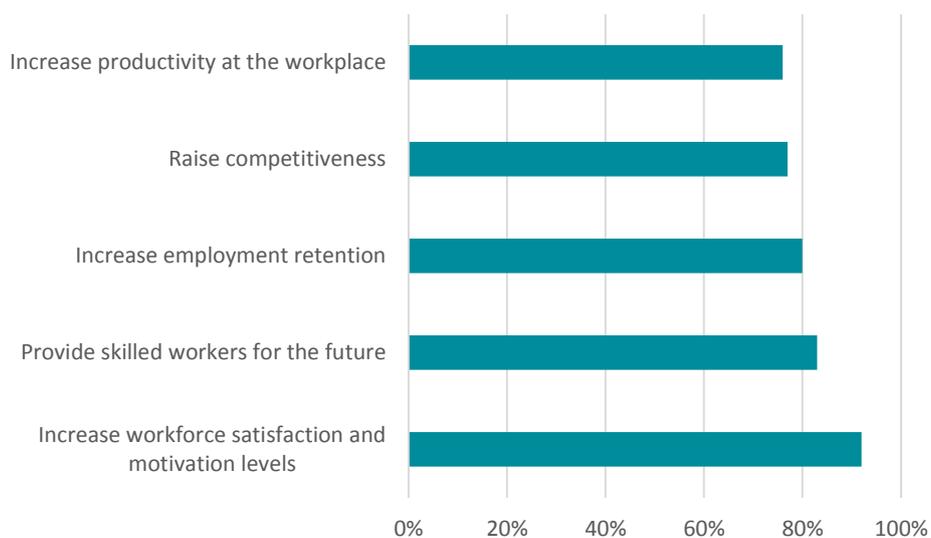
6. Other benefits of apprenticeships to businesses

Anecdotal and survey evidence suggest that there are benefits to businesses above and beyond direct gains in economic output and productivity.

These benefits include a higher quality workforce and increased flexibility to respond to changing business environments through the ability to fill skills gaps and develop specialist knowledge.

Industry research into the direct and indirect benefits of apprenticeships reported by Skills Training UK⁶ points to a range of benefits. As shown in Figure 11 below, 80% of companies who invest in apprentices report an increase in staff retention, while an impressive 92% of employers said that apprenticeships lead to a more motivated and satisfied workforce. Apprenticeships can improve a company's reputation and increase consumer demand for the goods and services offered by the organisation – a clear economic benefit.

Figure 11: Benefits organisations have achieved from hiring apprentices



Source: Skills Training UK

Another survey of employers offering apprenticeships conducted on behalf of the Department for Business, Innovation, and Skills⁷, showed that three in five employers (60%) rated the Apprenticeship programme highly (with a score of 8-10 out of 10). A majority of businesses further identified that apprenticeships helped improve product or service quality, productivity, staff morale, and ability to attract and retain good staff, as shown in Figure 12 below.

⁶ Source: Skills Training UK: <http://www.skillstraininguk.com/docs/E-Benefits%20of%20Apprenticeships.pdf>

⁷ Department for Business, Innovation and Skills Apprenticeships Evaluation, August 2013.

Figure 12: Benefits organisations have achieved from hiring apprentices in England



Source: *Department for Business, Innovation, and Skills (BIS)*

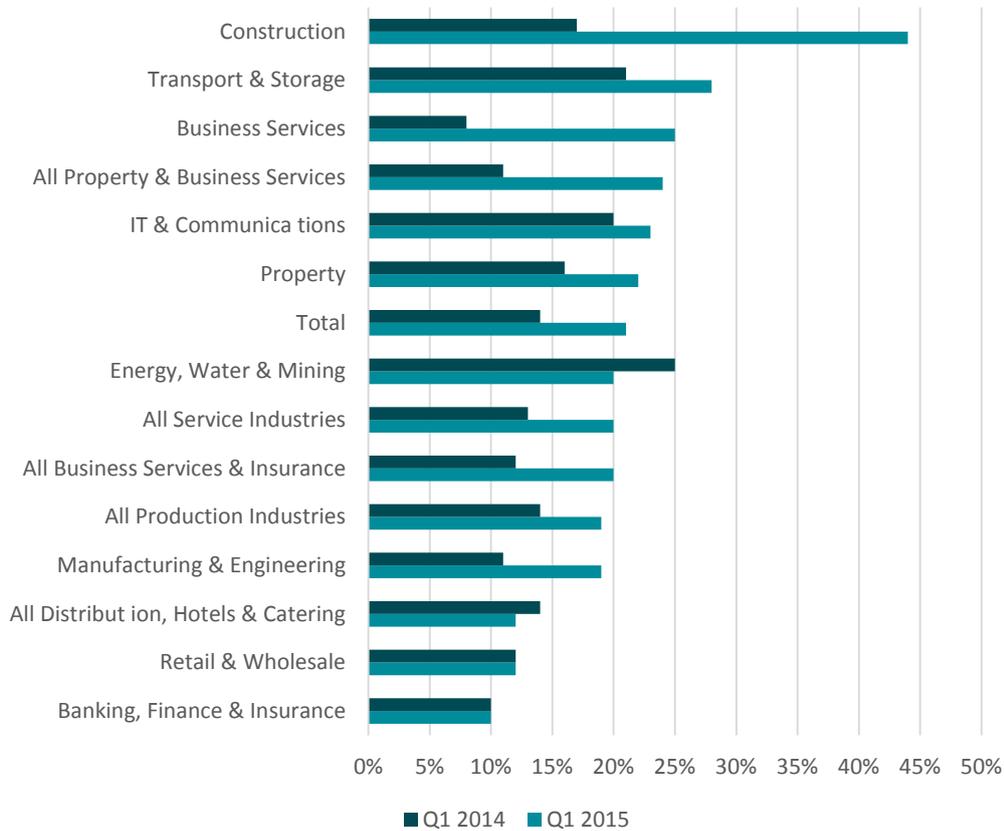
Further, as Figure 12 shows, hiring apprentices has also often brought additional benefits, such as new ideas and improved organisational image. Overall, this suggests that in most cases hiring apprentices leads to tangible economic benefits for employers.

Another benefit of apprenticeships is their ability to help businesses cope with skills shortages. Employment increased continuously throughout 2014, bringing the headline unemployment rate down sharply to 5.7% in the three months to December 2014 from 7.2% over the same period 12 months ago. While the decline in unemployment is an encouraging sign that the UK labour market is improving, if unpaired with an investment in skills to ensure future expansion it risks turning into a problem. This is because while businesses have been able to rely on a pool of unemployed but skilled individuals from which to recruit new staff during the recovery period, this luxury will not be at their disposal for much longer. As unemployment falls, and slack in the labour market is eaten away, the pool of skilled but unemployed individuals will shrink accordingly and businesses will need to start thinking about training individuals with the right skills.

Recent business surveys are already pointing to growing concerns around skills shortages. According to the Institute of Chartered Accountants in England and Wales (ICAEW) Business Confidence Monitor (BCM), one in five UK businesses reports the availability of non-management skills to be more of a challenge in Q1 2015 compared to the same point last year. The concerns are acute among small businesses: the Federation of Small Businesses (FSB) Voice of Small Business Index shows that over a third of the UK's small businesses reported skills shortages as a barrier to growth.

These concerns generally apply to all sectors, but to varying degrees. As Figure 13 below shows, just four out of 14 sectors had a lower share of businesses reporting the availability of non-management skills as a greater challenge in Q1 2015 compared to Q1 2014.

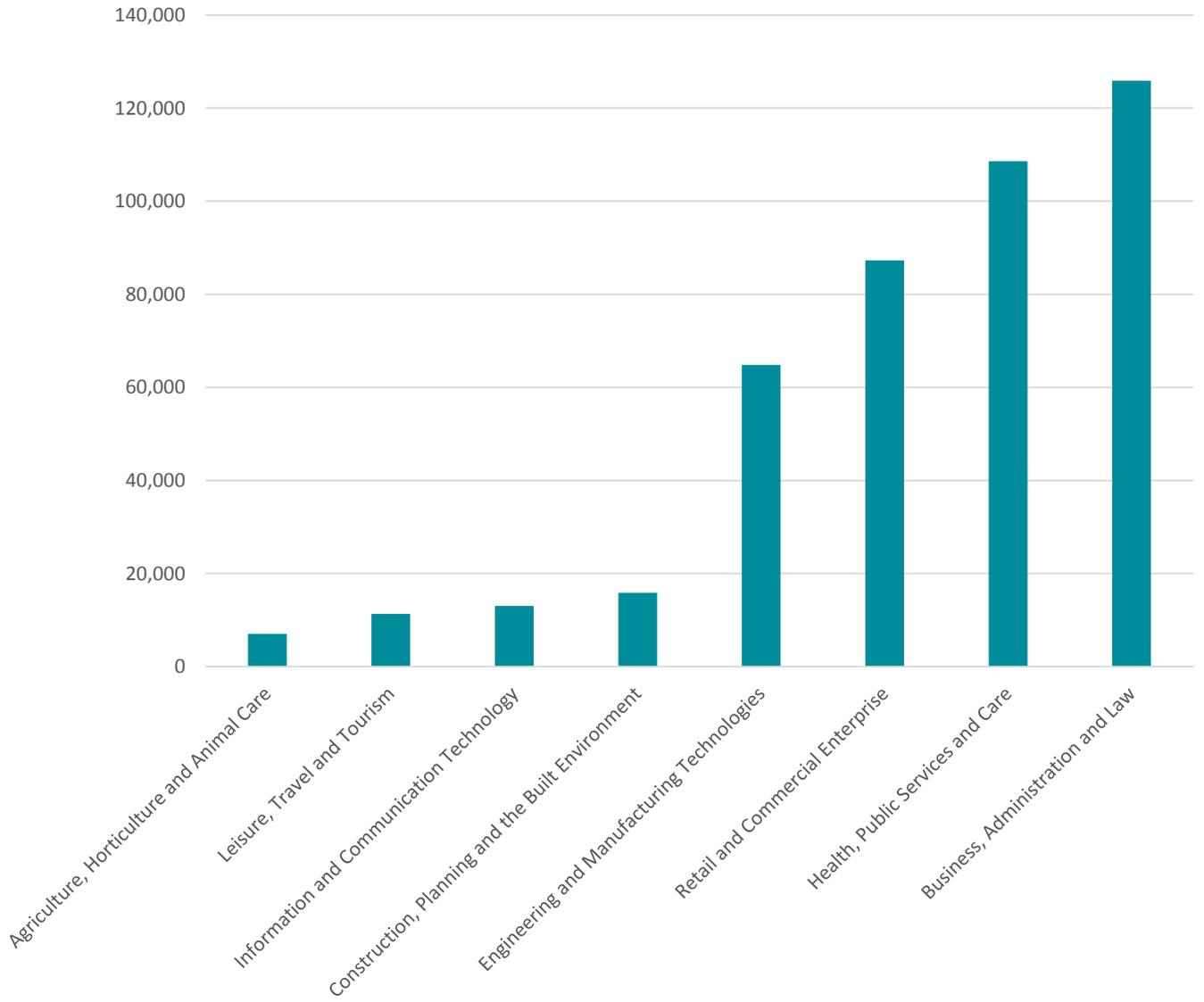
Figure 13: Share of UK businesses reporting that the availability of non-management skills is more of a challenge now than a year before



Source: Institute of Chartered Accountants in England and Wales (ICAEW) Business Confidence Monitor (BCM), Cebr analysis

Apprenticeships can play a key role in addressing these business concerns. Figure 14 below shows that the number of apprenticeship starts is high in several sectors where organisations expressed greater concern about skills shortages, such as the business services sector and the manufacturing and engineering sector. This will help address skills shortages going forward.

Figure 14: Apprenticeship starts in England in 2013/14, selected subject areas



Source: Skills Funding Agency, Cebr analysis

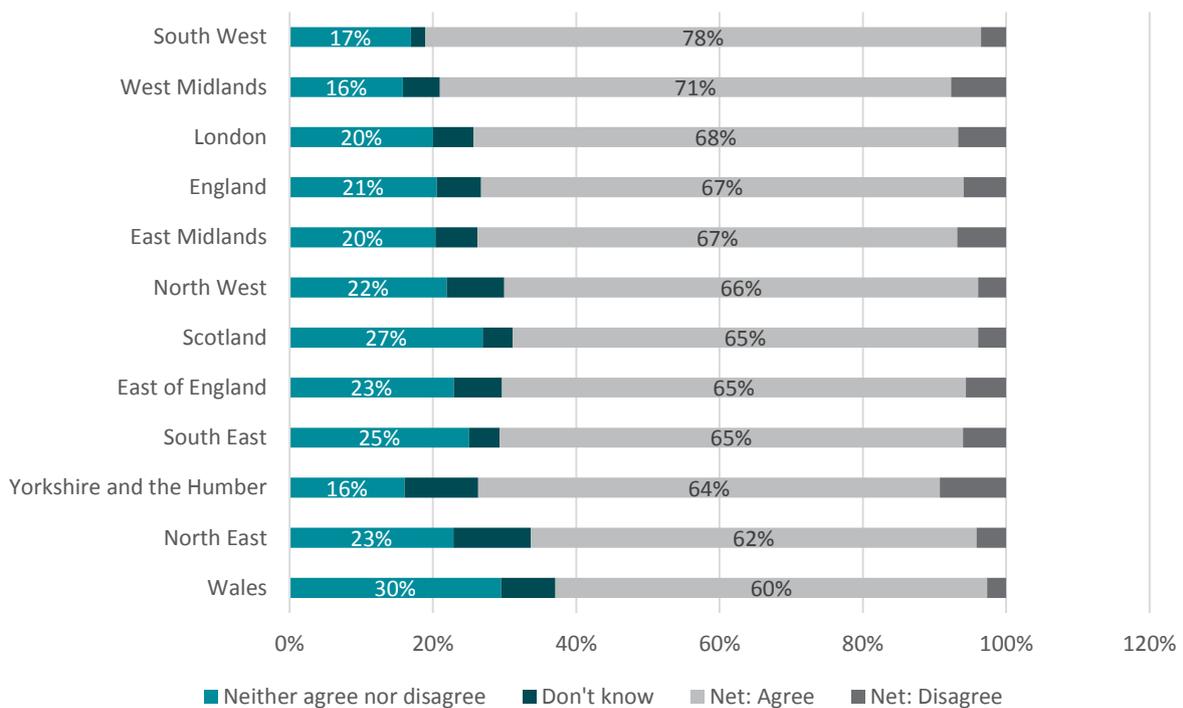
7. Apprenticeships and UK consumers

In the previous section we looked at the perceived “other” benefits to businesses from apprenticeships. One such set of benefits relates to the way businesses connect with their customers. In this section, we present findings from a bespoke commissioned survey that sought to gain an understanding of consumers’ attitudes towards businesses that employ apprentices. We find attitudes to be overwhelmingly more positive than negative, especially with respect to consumers’ willingness to associate businesses offering apprenticeships with a number of positive attributes. Moreover, and perhaps because of this, a quarter (25%) of the consumers surveyed said that they would be willing to pay a premium for a number of goods and services if these were provided by businesses that offered apprenticeships.

In total, over two thirds (67%) of consumers surveyed agreed that offering apprenticeships is “a key part of a company’s engaging with, and contributing to, society”. Figure 15 the statement in these regions.

Figure 15 below shows answers split by region. Consumers based in the South West, the West Midlands, and London were the ones most in agreement with the statement, while those in the North East and Wales were the ones with lowest rates of agreement. Still, even there three in five consumers agreed with the statement in these regions.

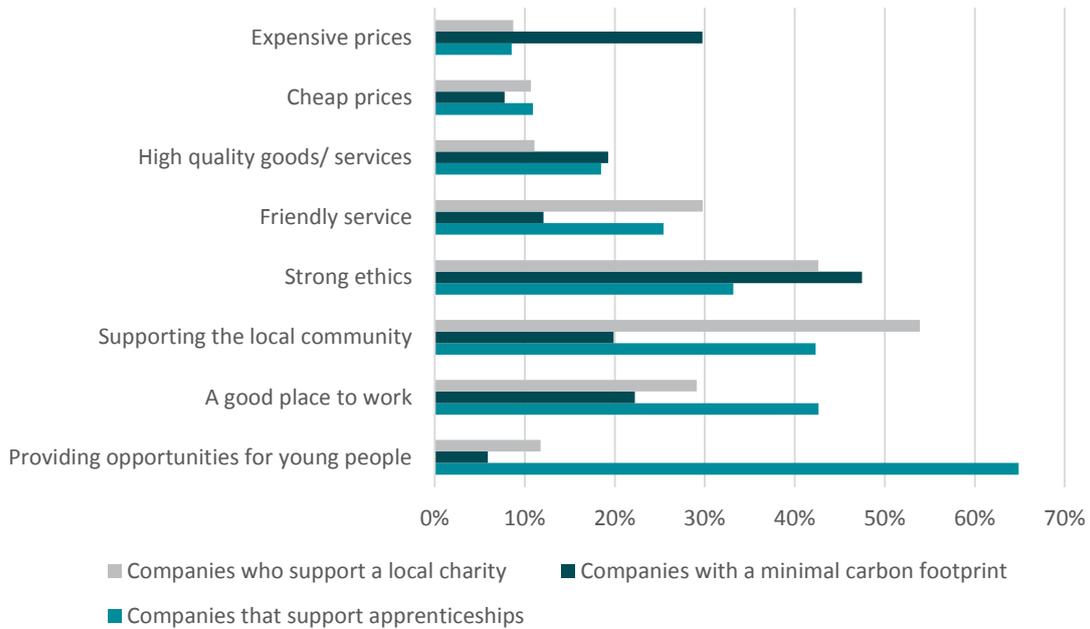
Figure 15: Do you agree with the statement that “Offering apprenticeships is a key part of a company’s engaging with, and contributing to, society?” – split by region



Source: YouGov, Cebr analysis

We further asked consumers to associate particular attributes with different types of businesses, namely those offering apprenticeships, those with a minimal carbon footprint, and those supporting a local charity. Apprenticeships ranked higher than at least one of the other types in all but one of the positive attributes considered. Companies which offered apprenticeships were most strongly associated with supporting the local community (42%), providing opportunities for young people (65%), and with being a good place to work (43%). Moreover, one in five (18%) consumers associated companies offering apprenticeships with goods and services of high quality, and one in four (25%) with a friendly service.

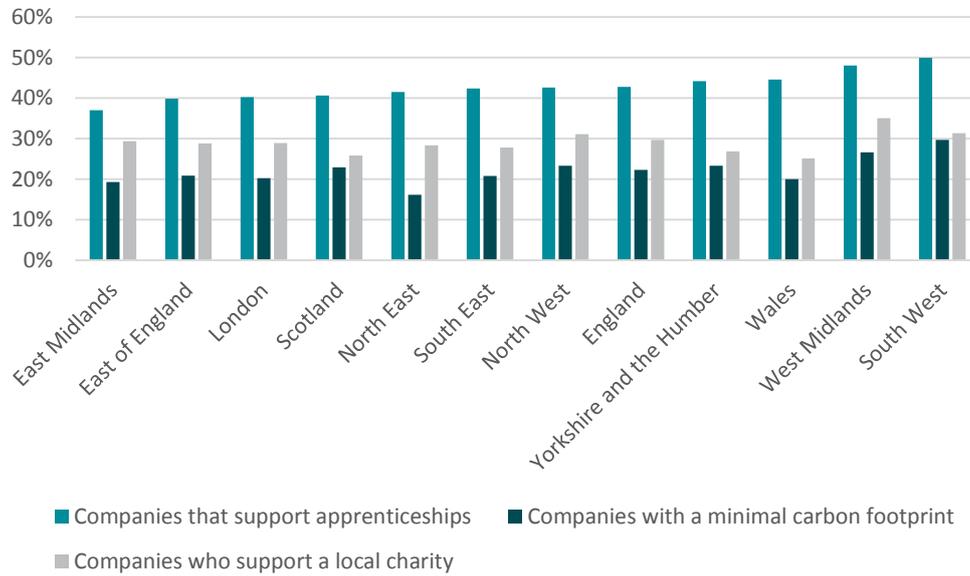
Figure 16: Which, if any, of the following attributes do you associate with each of the following types of company?



Source: YouGov, Cebr analysis

Apprenticeships ranked the highest out of the three different types of business in terms of consumers’ perception of what would be a good place to work. They performed best as places to work in the South West (50%) and the West Midlands (48%), where about half of consumers responded positively.

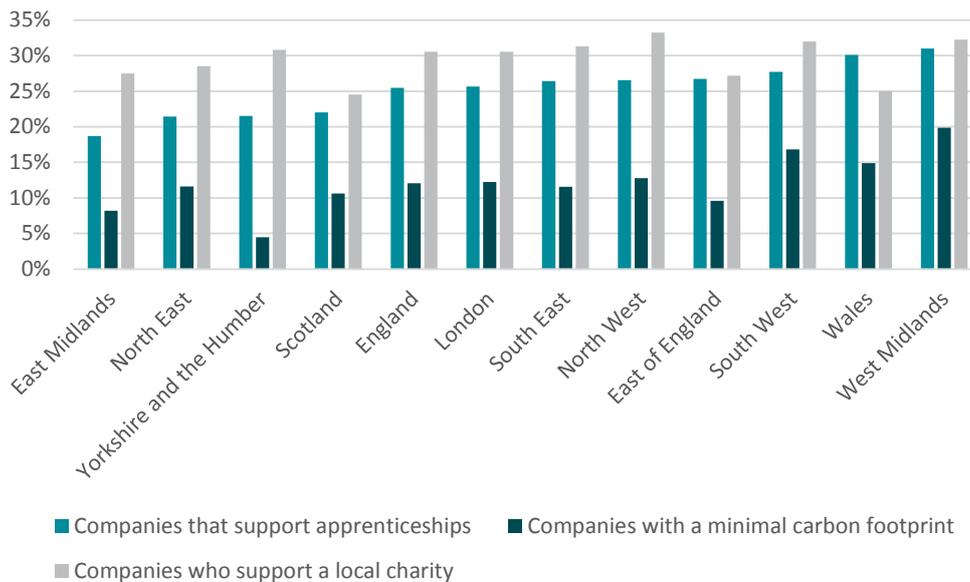
Figure 17: Do you think that these types of companies are a good place to work? – split by region



Source: YouGov, Cebr analysis

Companies offering apprenticeships also performed well when it came to consumers’ perceptions of a friendly service. The West Midlands (31%), Wales (30%) and the South West (28%) were the regions where consumers viewed businesses supporting apprenticeships in the most favourable terms.

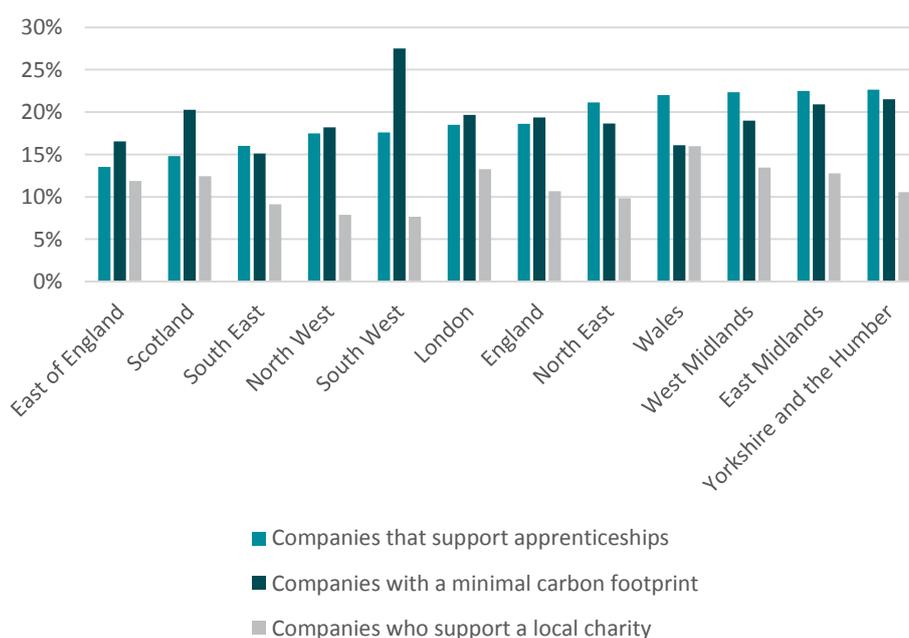
Figure 18: Do you think these types of companies generally offer a friendly service? – split by region



Source: YouGov, Cebr analysis

Finally, companies offering apprenticeships generally outperformed other business types in terms of consumers' perceptions of who is able to offer high quality goods and services. In particular, apprenticeships scored higher than at least one of the other business types in all of the UK's regions. In England as a whole, just under one in five consumers (19%) associated companies supporting apprenticeships with high quality of goods and services.

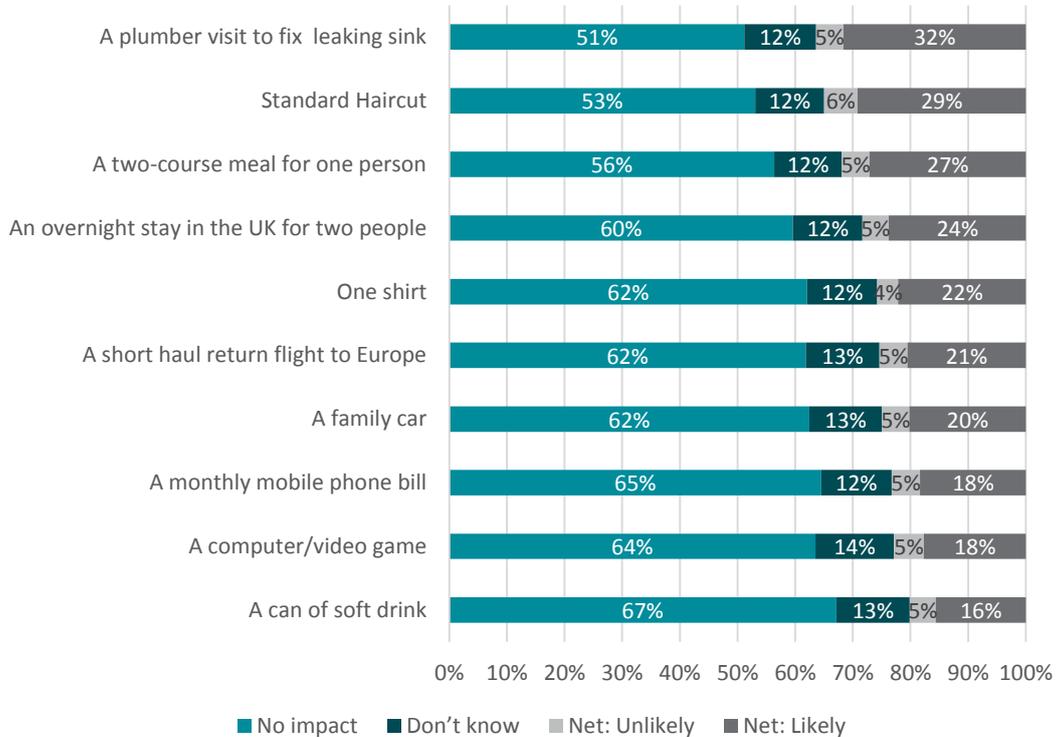
Figure 19: Do you think these types of companies generally offer high quality goods and services? – split by region



Source: YouGov, Cebr analysis

We further tested how the attitudes consumers expressed towards companies offering apprenticeships could impact their behaviour, and whether they could potentially translate into price premiums for the products and services offered by these companies. Across the product categories we examined in our survey analysis, a significant share of consumers said they would be more likely to visit a store and make a purchase if they knew that a business employed apprentices. The likelihood was highest in the case of the services of a plumber (32%) and a hairdresser (29%), as shown in Figure 20 below. About one in ten consumers (10%) said that, for *every* type of product/service considered, they would be more likely to visit a store and make a purchase if they knew that a business employed apprentices.

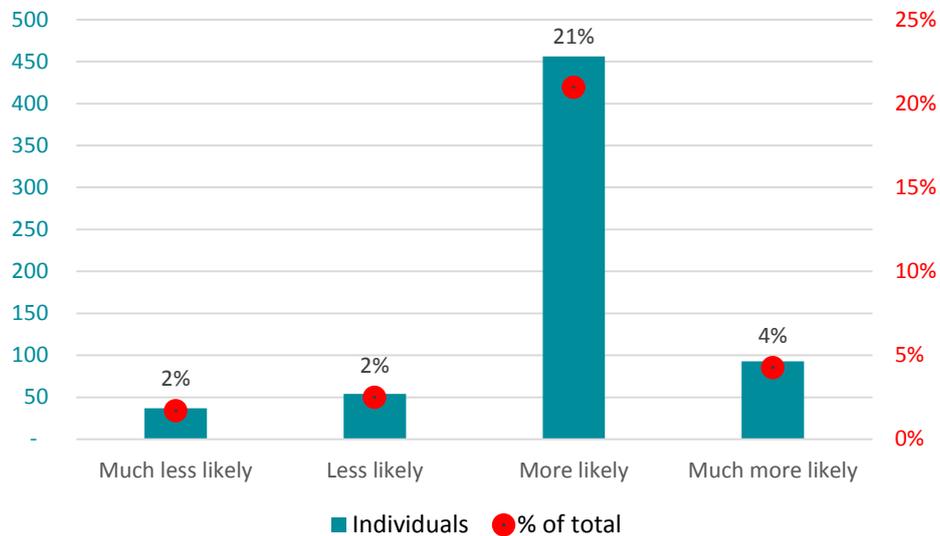
Figure 20: How much more or less likely would you be to purchase a product/service from a company that offered apprenticeships, compared to one that did not?



Source: YouGov, Cebr analysis

Regarding price premiums, as shown in Figure 21 below, 25% of consumers surveyed said that they would be more or much more likely to pay extra for goods and services offered by organisations employing apprentices, six times more than the 4% of consumers that said they would be less or much less likely. Overall, this suggests that consumers are willing to pay a premium if they know that a company is investing in the local community through providing apprenticeship opportunities.

Figure 21: How much more or less likely would you be to pay more for goods and services offered by businesses and organisations that employ apprentices, compared to ones that don't? (Answers of those who thought it made a difference – 2177 individuals were surveyed in total)



Source: YouGov, Cebr analysis

Looking at a regional breakdown of responses to the same question, we find that consumers in Scotland were the ones most likely to consider paying a premium for products offered by businesses providing apprenticeships: 32% said that they would be likely or much more likely to pay more, while only 1% said that they would be less likely.

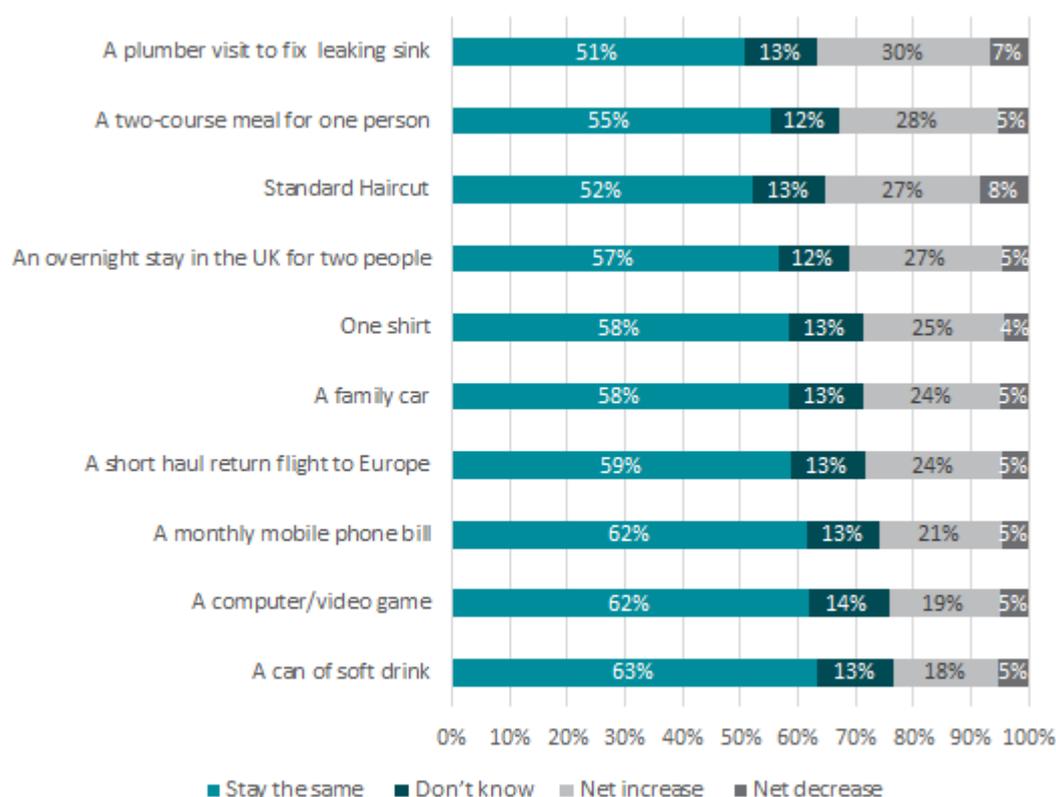
Figure 22: How much more or less likely would you be to pay more for goods and services offered by businesses and organisations that employ apprentices, compared to ones that don't? – split by region



Source: YouGov, Cebr analysis

As for premiums for specific products and services, we found that consumers are most willing to pay a premium for services such as a plumbers’ visit, a two-course meal, or a standard haircut. More than one in five consumers said that they would be willing to pay a premium in these cases. Looking back to Figure 20, overall we observe a tendency for the willingness to make a purchase and pay a premium to rise with the level of contact between staff and customer. For example, room for changing the price was lowest in the case of a soft drink or computer game, where there is relatively little contact between the staff and the customer – likely taking the form of only one transaction short in duration.

Figure 23: Thinking about typical prices for specific products, to what extent would you be more or less willing to pay for a product/service of the same standard of quality by a company that offered apprenticeships?



Source: YouGov, Cebr analysis

Table 2 below shows the price premiums consumers surveyed would be willing to pay for a number of products and services if these were supplied – at the same standard of quality – by a company offering apprenticeships.

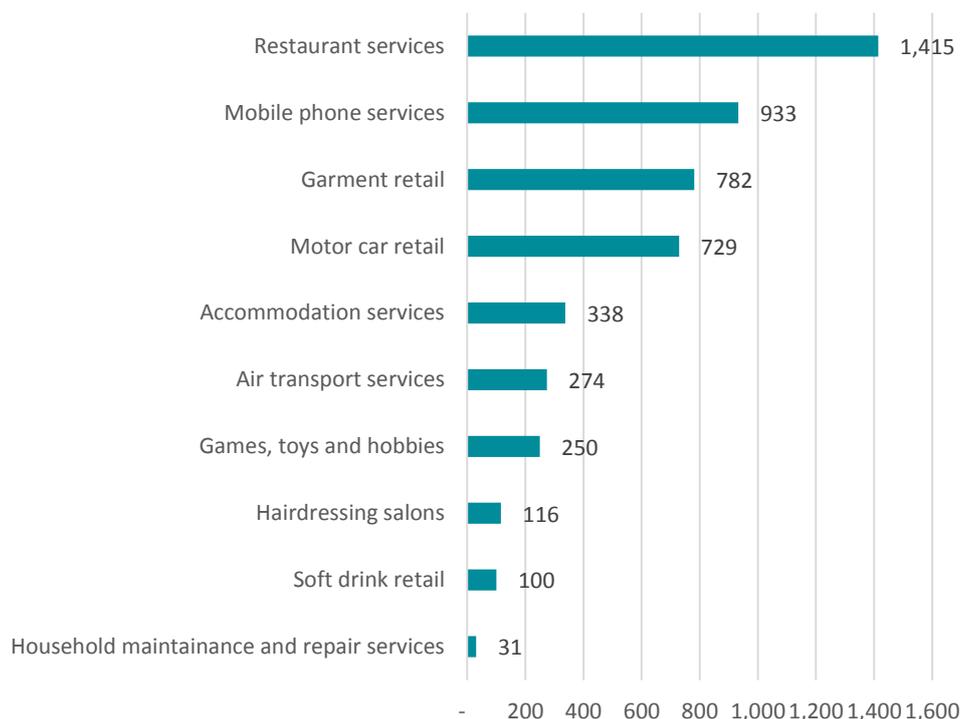
Table 2: Net % price premium consumers surveyed would pay if product/service of same quality was supplied by a company offering apprenticeships

Standard Haircut	One shirt	A family car	A can of soft drink	A plumber visit to fix leaking sink
1.9%	1.6%	1.7%	1.2%	2.0%
A monthly mobile phone bill	A computer/video game	A short haul flight to Europe	An overnight stay in the UK for two people	A two-course meal for one person
1.2%	1.2%	1.7%	1.8%	1.8%

Source: YouGov, Cebr analysis

While on an individual level a few extra pennies or pounds do not seem to make a big difference to the final price, when shown at the aggregate level the change in consumer spending and hence revenues to businesses can be quite considerable. Figure 24 below shows the net £ rise in consumer expenditure for selected product/service categories if premiums are realised.

Figure 24: Net gain in consumer spending levels by category (annual levels 2014, £ million current prices) if apprenticeship price premium is applied, by category



Source: Office for National Statistics Consumer Trends Series, YouGov, Cebr Analysis

On an aggregate level, the gains are highest in the restaurants business. Consumers are estimated to have spent £79.6 billion in restaurants in 2014 as a whole in the UK. This figure would have been £1.4 billion higher if all businesses involved offered apprenticeships and benefited from the premium consumers have said they would be prepared to pay because of this. Mobile phone services was the sector with the second-highest gains at £0.9 billion whereas for garment retail and motor car retail the gains are estimated at £0.8 and £0.7 billion respectively.

The average price premium across the product/service categories we have examined is 1.6%. Applying this figure across all UK consumer spending suggests that households would be willing to spend as much as £18 billion per year more if all businesses took on apprentices.

8. Survey notes

Figures where stated are from YouGov Plc. The total sample size was 2,177 adults, Fieldwork was undertaken between 18th - 19th February 2015. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+)

All monetary (£ value) figures quoted in this report have been calculated by Cebr.

