

creative  
& cultural  
skills

# Creative Apprenticeships

Assessing the return on investment,  
evaluation and impact  
October 2011



Education  
AND  
Employers



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## Introductory Comments from Jim Clifford

This study considers the impact of the Creative Apprenticeship, which was introduced in 2008 and for which take-up has increased rapidly. There have been more than 700 completions to date, with the current cohort comprising 210 learners. This rapid growth shows the belief in the benefit generated by Creative Apprenticeships. This project evaluates that benefit of this facet of the much wider work carried out by Creative & Cultural Skills.

The project has been jointly completed with Education and Employer's Taskforce, which has undertaken surveys and jointly led focus groups and focused interviews of providers, employers and learners in order to gather the evidence base for the financial evaluation using Social Return on Investment (SROI) methodology. This research, in conjunction with a review of existing research, has built a robust evidence base to support the connection between activities undertaken and outcomes achieved, which many commentators are now terming the 'theory of change'.

The current cohort of 210 learners will generate gains to society over the coming ten years of some £2.4 million. As the size of each cohort is increasing, that can be considered an annual benefit. Based on prudent expectations of further growth in learner numbers, the next five cohorts are forecast to have an impact of £16.4million.

Given that this represents only one area of Creative & Cultural Skills' work, the annual gain of £2.4m is striking when set against the funding for Creative & Cultural Skills of £1.7 million under the licence fee receivable from UKCES.

Frameworks such as the Creative Apprenticeship are clearly of great usefulness to employers. The future development of these qualifications is likely to play a significant role in shaping the future of the creative and cultural industries in the UK.

Following the work by new economics foundation over the past decade, and latterly the Scottish Enterprise-sponsored work, the Social Return on Investment methodology has been published in a Cabinet Office paper. Leading commentators and researchers, including nef, New Philanthropy Capital, SROI Network, and ourselves and Cass Business School recognise that, although there are some issues to be ironed out, this as a practical and workable solution to demonstrating social impact. Others, including the CSJ's influential paper on Outcome Based Government, have recognised the worth and soundness of SROI and are amongst the many seeking to enhance its use. With such a need to focus on this during times of cuts in public funding, and increased social pressures, this is needed now more than ever. It is rightly described by NPC in their recent position statement as "an incredibly useful tool."

The methodology used in this research project, and indeed the majority of similar projects we are undertaking, is Action Research, also known as Action Science. This allows the organisation to be supported by the researcher in learning about itself. In this context, it gathers quality information, from those that best understand it, building in relevant, validated third party data, and giving the organisation the knowledge to be able to embed it in its performance monitoring systems: all in one go. It works, and delivers results cost-effectively.

SROI can become a process-driven exercise in which the answer emerges as a function of the process. It can also suffer from the use of financial proxies that have a poor correlation with the outcomes they attempt to measure, or are based on over-enthusiastic assumptions, and a lack of robustness in linking outcomes to the activities in which they originate. This is not the case here. The evaluations have been developed with real thought, care and prudence, and are soundly based on validated underlying data, with conservative assumptions where such are necessary. It fairly represents the very valuable contribution of the Creative Apprenticeships to sector employers and others, and to the wider UK economy in the fields evaluated.

As SROI gains momentum, we are seeing its use for a number of purposes including, most recently, by Sector Skills councils in supporting competitive funding applications; the Institute of Advanced Motorists in enhancing awareness of the value of its work among its members and Government; and the Princess Royal Trust for Carers in emphasising the value added at a local level to support local Carers' Centres in funding negotiations with Local Authorities as well as raising the profile of support for carers with the Department for Health. This is a carefully-constructed, conservative, informed and exciting piece of work that adds to our understanding of social impact. I look forward to it informing the ongoing development of the SROI methodology.

**Jim Clifford**

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Jim Clifford is Head of Non-Profit Advisory Services at Baker Tilly. He was the lead author of the Social Impact protocol for Sector Skills Councils, published in 2010 as well as of influential reports on Domestic Adoption and fostering, the Women's Community Projects, the Princess Royal Trust for Carers and North Lanarkshire Leisure. He is undertaking research into evaluative protocols for transactional decision making (linking Social Impact with conventional valuation and brand valuation) with Professors Palmer and Harrow at Cass Business School's Centre for Charity Effectiveness, where he is a Visiting Fellow. He is also an independent trustee and director of the Centre for Public Scrutiny.

## Foreword by Creative & Cultural Skills

We are extremely pleased to have worked with Baker Tilly and the Educators and Employers Taskforce on this independent assessment of the impact of our Creative Apprenticeships programme. We have always believed that the apprenticeships model could bring real benefits to the creative and cultural industries, but when we launched the programme in 2008 we had no real way of knowing what impact the programme would have, and how quickly. As it had never been done before, it was a considerable risk to take.

It is clear from this analysis that this risk has paid off. Both in economic terms, and in terms of social value, we see significant return on investment. The latest cohort of Creative Apprentices is expected to deliver a net gain of £2.4 million to the UK economy over the coming decade, with forecast net gains of some £16.4 million for the next five cohorts of learners. Our Creative Apprentices have a considerable impact on small businesses on an individual level as well, with significant satisfaction ratings from employers, therefore making a key contribution to the development of the sector as a whole.

It was always our aim to change recruitment practice and culture – and it clearly is making a difference. However, significant challenges remain for small or micro-businesses, freelancers or sole traders taking on apprentices, as this report shows. Employers and practitioners cite both money and time as key issues. With 94% of businesses in the creative and cultural industries employing ten people or fewer, these are barriers that have to be overcome if employers are to be able to take real ownership of their skills needs and show leadership in this area. We will continue to build on the success of this first phase of the Creative Apprenticeships programme by working to address any barriers, further strengthening the case for change.

Investing in Creative Apprenticeships, we can now prove, is a clear way to help to secure the future of our industries. Today's apprentices are tomorrow's leaders and innovators, and we are delighted to be able to celebrate their success with them with the publication of this report.

**Catherine Large and Pauline Tambling**

Joint CEO

Creative & Cultural Skills

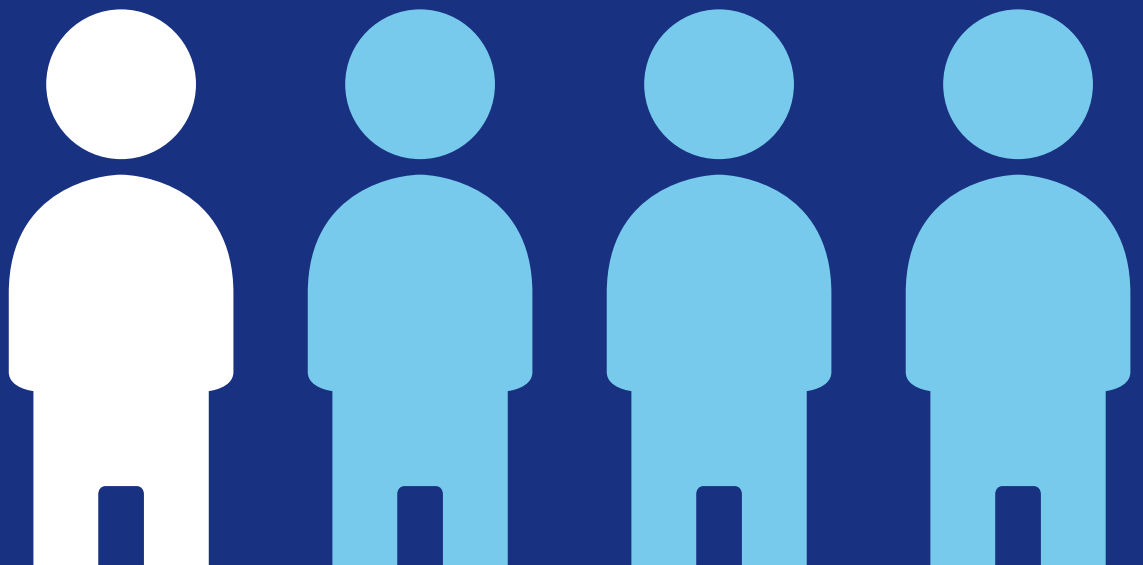
## Definitions of Terms

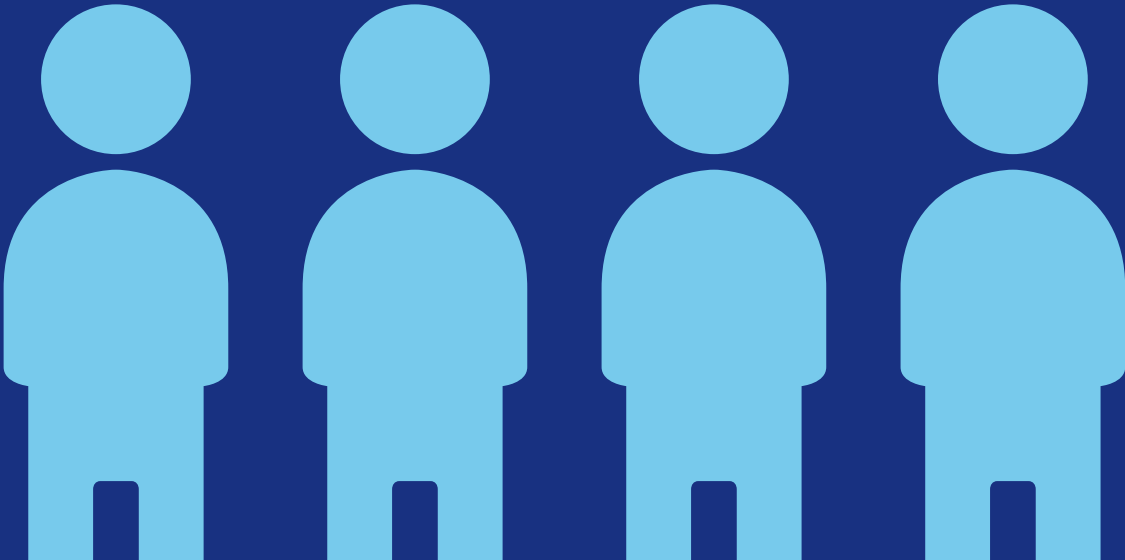
The following definitions apply throughout this document, unless the context requires, otherwise:

<b>Term</b>	<b>Definition</b>
CA	Creative Apprenticeship
Creative & Cultural Skills	Creative & Cultural Skills (Creative and Cultural Industries Ltd)
DfE	Department for Education
NEET	Not in Education Employment or Training
NSA	National Skills Academy
SFA	Skills Finding Agency
SROI	Social Return on Investment
SSA	Sector Skills Assessment 2010
SSC or SSC's	Sector Skills Council(s)
YA	Young Apprentice
YAP	Young Apprenticeship Programme
YPLA	Young People's Learning Agency

# 01

## Executive Summary







# Executive Summary

## **Background**

### **Overview of Creative & Cultural Skills**

**1.1** Creative & Cultural Skills is the sector skills council for the UK's creative and cultural industries, including craft, cultural heritage, design, literature, music, performing arts and visual arts. Founded in 2004, we were granted a new licence from Government to operate in January 2010. Our goal is to enable the creative and cultural industries to reach their economic potential through relevant skills and training. Creative & Cultural Skills is a company limited by guarantee, and a charity with a trading subsidiary, the National Skills Academy which operates with its own board of directors. For further information, please visit [www.ccskills.org.uk](http://www.ccskills.org.uk), [www.nsa-ccskills.org.uk](http://www.nsa-ccskills.org.uk).

### **National Skills Academy**

**1.2** The National Skills Academy for Creative & Cultural is a network of 200 theatre and live music employers and organisations, freelancers, training providers and industry trade associations working together to develop, improve and recognise the skills of people working in the sector. There are 20 Founder Colleges in the network.

**1.3** The Skills Academy opened in April 2009. It works at both a national and local level, bringing together industry professionals across the country to recognize, develop and improve skills opportunities for those entering the creative and cultural sector and those already employed within it. The Skills Academy aims to provide a single, collective standard for skills development in our sector, responding to a predicted need for 30,000 skilled backstage workers by 2017. A lot of the activity is at the local level with employers working with their local Skills Academy Founder College or Industry Member.

**1.4** The Skills Academy has established an Apprenticeship Training Service to bring together employers, young people and colleges. The Apprenticeship Training Service (ATS) can support employers through different stages of the recruitment process: from understanding apprenticeships and exploring the possibility of taking one on, right through to recruitment.

**1.5** The ATS can also employ Apprentices on behalf of employers. This offers reassurance for companies facing uncertain futures and a solution to recruitment freezes. It also gives small employers the chance to share an Apprentice

### **Creative Apprenticeships**

**1.6** The National Skills Academy for Creative & Cultural is responsible for the delivery of Creative Apprenticeships (CAs) for Creative & Cultural Skills in England with national offices operating across the UK. Creative Apprenticeships were launched in England in September 2008 and are now operating across the UK.

**1.7** The Creative Apprenticeship consists of vocational qualifications at level 2 or 3 and a theory-based qualification at level 2 or 3 covering a range of occupation specific pathways.

**1.8** The apprenticeship frameworks have been updated to meet the requirements of the Specification of Apprenticeship Standards for England (SASE) and the Specification of Apprenticeship Standards for Wales (SASW).

**1.9** This report refers to the evaluation of the Creative Apprenticeship Programme during the period 2008 to June 2011, the point at which the CA framework was replaced by the Specification of Apprenticeship Standards for England (SASE) and the Specification of Apprenticeship Standards for Wales (SASW).

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**1.10** The frameworks available at levels 2 (intermediate) and 3 (advanced) are highlighted in the table below:

Framework	Pathways	
	L2	L3
Community Arts	Community Arts Administration	Community Arts Management
Costume and Wardrobe	Costume and Wardrobe Support	Costume and Wardrobe
Cultural and Heritage Venue Operations	Cultural Heritage	Cultural Heritage
	Cultural and Heritage Venue Operations	Cultural and Heritage Venue Operations
Design	Design Support	Design
Live Events and Promotions	Live Events and Promotion	Live Events and Promotion
Music Business	Music Business Support	Music Business Record Label
Technical Theatre	Lighting Sound & Stage	Lighting Sound & Stage
Jewellery	Jewellery, Silversmithing & Allied Trades	Jewellery, Silversmithing & Allied Trades

### Key findings

**1.11** This study shows that the Creative Apprenticeship is adding significant value to employers, employees and the state, and has potentially far-reaching impacts on other sectors that depend on the creative and cultural industries (albeit such gains are not evaluated in this study). The latest cohort of 210 CAs is expected to deliver a net gain of c£2.4m to the UK economy over the coming decade, with forecast net gains of some £16.4m for the next five cohorts of learners (with incremental increases in annual learner numbers up to 400 in year 5).

**1.12** Responses to our surveys and focus groups/interviews highlight that the Creative Apprenticeship is adding value to those that have engaged with it, and has potential to achieve significant further impact in future. In particular, 79% of employers felt that CAs made a significant contribution to their business. 78% of employers felt that CAs were more effective in the workplace as a result of the training, with over 70% responding that they felt they have more appropriate skills, 57% of CAs remained with their employer post-completion.

**1.13** The sector as a whole seems to have responded positively to the Creative Apprenticeship, although more needs to be done to reduce the administrative and financial burdens (principally in relation to funding for the framework) on employers.

**1.14** The concept of 'freelance CAs' employed by providers but hired out to several SME employers appears to be attractive to smaller businesses that make up the majority of the sector but lack the ability to support a Creative Apprenticeship on their own.

**1.15** Our study indicates that there is demand within the sector for Higher Level CAs, including for continuing professional development of staff seeking, for example, to move into a management role.

**1.16** Vocational qualifications within the CA are clearly of great usefulness to employers. The future development of new vocational qualifications is likely to play a significant role in shaping the future of the creative and cultural industries in the UK.

### **Scope and purpose of this study**

**1.17** This report is one of two studies carried out by Baker Tilly with Creative & Cultural Skills. The first considers the impact of the Young Apprenticeship Programme in the creative and cultural sectors. In this second study, Creative & Cultural Skills wishes to evaluate the impact of the CA and identify the feasibility of extending CAs to higher levels. The key areas addressed are:

- Evaluation of the usefulness of the CA to employers and learners (including the social and financial returns from the CA)
- Assessment of the impact of the CA in terms of its value for money and qualitative impacts such as workforce diversity
- Feasibility of expanding the CA including links to foundation degrees and establishment of higher level frameworks at levels 4, 5 and 6. This includes an assessment of the suitability of the existing Apprenticeship model for expansion.

**1.18** The approach, research methodology and proxies used in this study are comparable to those used for the Young Apprenticeship Programme study. We have reviewed the proxies used in both studies to ensure consistency of application between the two reports.

**1.19** This report includes:

- An overview of social impact and other methodologies used in this work
- An analysis of the activities and outcomes of the above programmes
- An overview of how those outcomes may be measured using financial proxies
- An overview of the results of the evaluation
- A detailed presentation of the models and assumptions used in the evaluation
- A qualitative assessment of the effectiveness and impact of the CA from surveys, focus groups and interviews
- Qualitative assessment of the feasibility of extending the CA to higher levels

**1.20** During the course of the work, information and explanations from Creative & Cultural Skills has been relied upon, including:

- The nature, outcomes and beneficiaries of their activities
- The assumptions used in evaluating the impact of their services

**1.21** Where possible, assumptions from Creative & Cultural Skills have been validated based on independent data or data extracted from Creative & Cultural Skills' management information systems. Nevertheless, Creative & Cultural Skills is responsible for making the assumptions used in this report, and has confirmed that they are, to the best of their knowledge and belief, accurate and reasonable.

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### Approach and methodologies

**1.22** Detail on the approaches and methodologies used in the course of this work is provided in section 3 of this report.

**1.23** We have undertaken a survey of employers and providers and have used focus groups and focused interviews of providers and employers that deliver or have experience of CAs. The data used in this study has been derived from the following sources:

- Literature reviews (see bibliography at Appendix C)
- Surveys of employers and providers
- Focus groups of stakeholders including providers, employers and local authority
- Interviews with providers and employers
- Data supplied by Creative & Cultural Skills

**1.24** This report also uses Social Return on Investment (“SROI”) as a tool for the evaluation of the economic and social gains achieved by the Creative Apprenticeship. The SROI methodology has been developed in order to help organisations to “...[measure and quantify] the benefits they are generating” (per Lawlor, Neizert & Nicholls writing in the SROI guide, 2008)<sup>1</sup>. This approach was piloted in the UK through the Measuring What Matters programme during 2002 and has evolved since then as further work has been done to develop the framework around it.

**1.25** It is increasingly being seen as an “incredibly useful tool”<sup>2</sup> by a number of organisations and key commentators within the Third and Public sectors in the push to measure and evaluate social impact.

**1.26** There are three ‘bottom line’ aspects of social return:

- Economic: the financial and other effects on the economy, either macro or micro
- Social: the effects on individuals’ or communities’ lives that affect their relationships with each other
- Environmental: the effects on the physical environment, both short and long term

**1.27** Further detail on SROI is included in section 4 of this report.

### Evaluation of the CA and impact assessment

**1.28** Employers responded to a survey and attended focus groups/interviews. From their responses it is clear that CAs make a contribution to the employer with which they are placed:

- 79% of employers responded that the CA made a significant contribution
- 19% felt that the CA had made a contribution of some kind
- Only 2% responded that the CA made no contribution.

<sup>1</sup> Nicholls, J., Lawlor, E., Neizert, E. & Goodspeed, T. (2009), A guide to Social Return on Investment, London, Cabinet Office

<sup>2</sup> Copps, J. and Heady, L. 2010. Social Return on Investment: Position Paper, April 2010. London. NPC. From [www.philanthropycapital.org](http://www.philanthropycapital.org)

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**1.29** Responses to the employers' survey agree with the focus group view of CAs compared to new employees of a similar age:

- Over 70% felt that CAs have better or significantly better industry experience
- Over 70% felt that CAs have more appropriate skills
- 78% felt that CAs are more effective in the workplace
- 55% felt that CAs have a better level of skills
- 63% felt that CAs are more useful from day one
- 63% felt that CAs are more productive.

### Historical evaluation of the CA

**1.30** In this exercise, a smaller number of key assumptions have been identified. We have worked with expert staff at Creative & Cultural Skills to develop a prudent result at a high level, based to the greatest extent possible on original or third party validated research. It has been considered important to present a more defensible, prudent analysis than one which is overly complicated and risks overstatement.

**1.31** Our analysis of the economic and social return of the CA includes:

- An evaluation of the gain in productivity associated with improved training and skills among CAs
- An evaluation of the gain to employers from reduced induction costs due to the sector experience of CAs compared to other entrants
- An evaluation of the gain to employers from reduced induction costs for CAs who continue within the training organisation or move to other organisations within the sector.

**1.32** Detailed descriptions of the assumptions used in these analyses are included in section 4 and Appendix A.

**1.33** The table below shows the results of the evaluation for the latest cohort of CAs (210 Learners):

Summary of evaluation results	Evaluated gains £
Productivity gain	2,439,232
Induction cost saving	24,806
Recruitment cost saving	85,475
<b>Total evaluated gains</b>	<b>2,549,514</b>
Less displacement cost of £500 per learner	(105,000)
<b>Total gains from CA due to Creative and Cultural Skills</b>	<b>2,444,514</b>

**1.34** The table above highlights that a net gain of c£2.4 million over ten years was achieved for the latest cohort of 210 CAs (after deducting incremental delivery costs per learner of £500 compared to alternative qualifications). The totals shown above are stated after accounting for deductions for:

- Deadweight: the gain that would have occurred in any case
- Alternative attribution: the gain that is attributable to other parties
- Displacement: economic damage directly caused by the intervention (in this case displacement includes incremental costs of funding activity that did not previously exist in the sector).

## Executive Summary

**1.35** It is striking that, in the context of the core funding of Creative & Cultural Skills of c£1.7m, the gain from this aspect of its work, which represents only one area of its work on qualifications, equates to c52% of the cost of funding the organisation as a whole. As there is a new cohort each year, this can be assumed to be an annual gain.

**1.36** To date, more than 700 CAs have completed the apprenticeship frameworks. This evaluation focuses on the latest cohort, and therefore excludes the gains achieved for completions prior to the latest year, which would be incremental to the total shown.

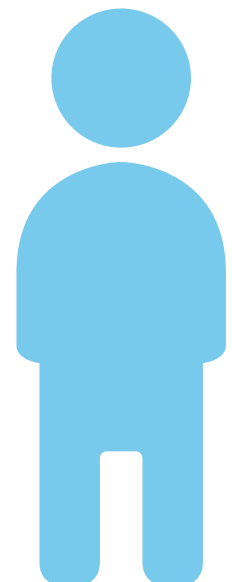
**1.37** In common with most SROI evaluations, it is not practicable or cost-effective to evaluate every aspect of the effect of the area of work under review. This relates often to the wider well-being and less proximate benefits from the CA. It also includes some gains for which the evidence was felt to be too insubstantial to allow robust analysis. Hence the areas of work shown above may not reflect full evaluations of benefits including:

- Economic gains achieved from increasing the diversity of the workforce in the sector. In particular, potential gains achieved by re-engaging learners who would otherwise become NEET at age 18+ has been excluded from this study
- Gains arising from a thriving creative and cultural industry in other sectors. For example, a thriving theatre sector may have an impact in attracting tourists to the UK who will then spend in UK hotels, retail outlets and other tourist attractions thus indirectly contributing to UK employment and productivity
- The wider impact on the well-being of learners who benefit from a non-academic route to a job in their chosen sector.

**1.38** The value of these outcomes would be incremental to the value found in this study. Hence the evaluations shown above are lower than the full value of the outcomes potentially generated by the CA.

### **Forecast gains from future expansion of the CA**

**1.39** The CA is still at a relatively early stage in its growth. Prior to the creation of the CA, no similar framework existed in the sector, and as such there was no previous qualification upon which to build.



**1.40** From a standing start in 2008, take-up has been increased to c210 learners per annum, with more than 700 completions to date across the UK (i.e. the latest cohort accounts for c30% of the total). This suggests that the frameworks are gaining momentum in terms of the numbers of registrations and completions. In order to illustrate the potential future value of the CA, we have forecast the gain over a period of five years (using the same model as for the historical evaluation), but with growth in learner numbers, such that completions broadly double over a five year period to 400 after five years (which is believed to be reasonable by the qualifications team at Creative & Cultural Skills).

**1.41** The results of this evaluation are presented below:

Economic gain for five further CA cohorts	Learner numbers	Discount rate %	Net gain evaluated (£)	Present value of net gain (£)
Year 1	250	3.5%	2,910,135	2,811,725
Year 2	275	3.5%	3,201,149	2,988,307
Year 3	300	3.5%	3,492,162	3,149,730
Year 4	350	3.5%	4,074,190	3,550,421
Year 5	400	3.5%	4,656,217	3,920,409
<b>Total forecast gain for five cohorts</b>				<b>16,420,593</b>

**1.42** The analysis above highlights that over a five year period, the roll-out of the CA might be expected to return a present value of c£16.4 million (after accounting for deadweight, alternative attribution and displacement). This is stated after deducting £500 assumed displacement for the incremental cost of the CA compared to alternative qualifications. On that basis, the programme should continue to be funded as the gain achieved significantly outweighs the additional costs of delivery.

### Sensitivity analysis

**1.43** Whilst the assumptions used in this study have been based to the greatest extent possible on data from original or third party research, there are certain areas in which assumptions have been made in the absence of data. Such assumptions have derived from discussions with expert staff at Creative & Cultural Skills.

**1.44** We have performed a sensitivity analysis in respect of key assumptions to the models, the detail of which is shown in section 4. The conclusion from this analysis is that even if certain key assumptions to each of the models were materially overstated, the gains from the CA would still significantly exceed the costs of funding the project within Creative & Cultural Skills.

### Feasibility of expanding the CA and development of higher level frameworks Summary of key issues affecting take-up of the CA

**1.45** Whilst our survey found that the CA was relatively well-known among respondents (84% of employers who responded to our survey had heard of it), a number of barriers to take up of Creative Apprenticeships were identified, particularly for young people under the age of 18.

**1.46** Our focus group feedback indicated that CAs tend to be c22 years of age, which confirms the reported reluctance on the part of employers to take on Apprentices at ages 16 to 18. Further discussion of this issue highlighted the perception (whether founded or not) that 16 to 18 year olds may lack the level of maturity required in the sector. CAs over the age of 18 are not eligible for full funding, and employer contributions will be expected. This increases the cost to employers.



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**1.47** Cost and financial barriers in general were cited in many responses to our surveys and in focus groups and interviews, in particular the cost to employ an Apprentice (in addition to the cost of funding the framework) were key reasons for employers to decline to take Apprentices. This was particularly prevalent among SMEs (which make up the majority of the sector). Some providers had overcome this issue by employing the CA themselves, primarily in cases where employers were also providers.

**1.48** Other barriers included the administrative burden placed on employers by taking on an Apprentice, principally in relation to the level of paperwork required. Again, this issue was particularly notable among SMEs.

**1.49** Key drivers for employers to take on a CA include:

- Diversity: taking on a CA can support employers seeking to attract employees from diverse backgrounds who might not otherwise have been able to break in to the sector (principally those who are not inclined towards academic qualifications)
- Political/altruistic: some employers felt that taking on a CA was a means of making a positive contribution to society. This appears to be closely linked to increasing diversity of the workforce.

### **Feasibility of expanding the CA and developing higher level Creative Apprenticeships**

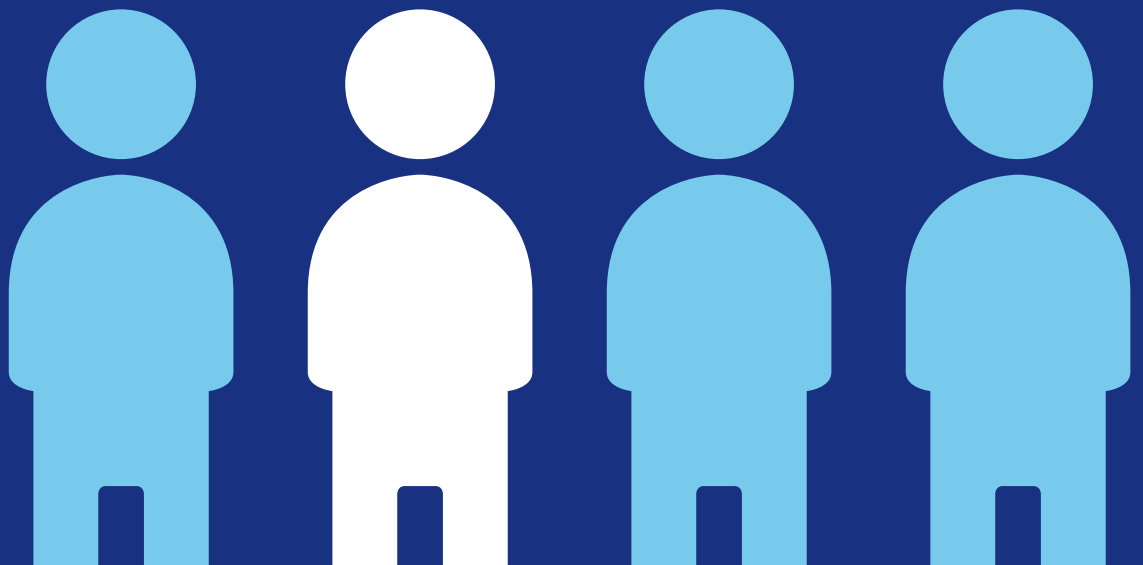
**1.50** The CA in its current form is building momentum within the sector. However, there are insufficient places for those individuals wanting to take up a Creative Apprenticeship. Further expansion will depend, to some extent, on the approach to the issue of filling the qualification gap at ages 16 to 18. With the abolition of programme-led apprenticeships, one obvious route for learners at age 16 to 18 has been removed. The potential extension of the Young Apprenticeship Programme (YAP) to level 3 would be one way of closing this gap.

**1.51** There is demand for Higher Level Apprenticeships (at levels 4, 5 and 6) within the sector, based on survey feedback and focus group/interview discussions. At present, in the absence of a level 4 qualification, some learners move to University as a next step, which indicates a desire for further higher level frameworks among learners.

**1.52** In order to succeed any Higher Level frameworks must deliver flexibility to both employers and providers in order to fit with their specific needs. This may take the form of core delivery but with additional specialist modules to allow for sub-sector focus and to focus on individual training needs.

# 02

## Introduction





# Introduction

### **Overview of Creative & Cultural Skills**

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### **National Skills Academy**

**2.2** The National Skills Academy for Creative & Cultural is a network of 200 theatre and live music employers and organisations, freelancers, training providers and industry trade associations working together to develop, improve and recognise the skills of people working in the sector. There are 20 Founder Colleges in the network.

**2.3** The Skills Academy opened in April 2009. It works at both a national and local level, bringing together industry professionals across the country to recognize, develop and improve skills opportunities for those entering the creative and cultural sector and those already employed within it. The Skills Academy aims to provide a single, collective standard for skills development in the sector, responding to a predicted need for 30,000 skilled backstage workers by 2017. A lot of the activity is at the local level with employers working with their local Skills Academy Founder College or Industry Member.

**2.4** The Skills Academy operates within England but is working with bodies in Wales, Scotland and Northern Ireland.

**2.5** In addition to the network, the Skills Academy is developing a physical presence in South Essex. This is being constructed and will house training that cannot currently be delivered nationally because of restrictions in existing theatre training and performance spaces. The building will include facilities for equipment testing, large scale live music and theatre performances, CAD studio, lighting and audio-visual studios, recording studio, and band rehearsal space alongside a large central space. It is due to open in 2012.

**2.6** The Skills Academy has established an Apprenticeship Training Service to bring together employers, young people and colleges. The Apprenticeship Training Service (ATS) can support employers through different stages of the recruitment process: from understanding apprenticeships and exploring the possibility of taking one on, right through to recruitment.

**2.7** The ATS can also employ Apprentices on behalf of employers. This offers reassurance for companies facing uncertain futures and a solution to recruitment freezes. It also gives small employers the chance to share an Apprentice.

### **Creative Apprenticeships**

**2.8** At present the National Skills Academy for Creative & Cultural is responsible for the delivery of creative apprenticeships (CAs) for Creative & Cultural Skills in England with nations office operating across the UK. CAs were launched in England in September 2008 and are now operating across the UK.

**2.9** The Creative Apprenticeship consists of a vocational qualification at level 2 or 3 and a theory-based qualification at level 2 or 3 covering a range of occupation specific pathways.

## Introduction

**2.10** The apprenticeship frameworks have been updated to meet the requirements of the Specification of Apprenticeship Standards for England (SASE) and the Specification of Apprenticeship Standards for Wales (SASW).

**2.11** This report refers to the evaluation of the Creative Apprenticeship Programme during the period 2008 to June 2011, the point at which the CA framework was replaced by the Specification of Apprenticeship Standards for England (SASE) and the Specification of Apprenticeship Standards for Wales (SASW).

**2.12** The frameworks available at levels 2 (intermediate) and 3 (advanced) are highlighted in the table below:

Framework	Pathways	
	L2	L3
Community Arts	Community Arts Administration	Community Arts Management
Costume and Wardrobe	Costume and Wardrobe Support	Costume and Wardrobe
Cultural and Heritage Venue Operations	Cultural Heritage	Cultural Heritage
	Cultural and Heritage Venue Operations	Cultural and Heritage Venue Operations
Design	Design Support	Design
Live Events and Promotions	Live Events and Promotion	Live Events and Promotion
Music Business	Music Business Support	Music Business Record Label
Technical Theatre	Lighting Sound & Stage	Lighting Sound & Stage
Jewellery	Jewellery, Silversmithing & Allied Trades	Jewellery, Silversmithing & Allied Trades

### Scope and purpose of this report

**2.13** Creative & Cultural Skills wishes to evaluate the impact of the CA and identify the feasibility of extending CAs to higher levels. The key areas addressed are:

#### Evaluation

- What value/usefulness is the CA (including the model) to employers and learners (the social and financial returns on investment)?
- What type of activities does the employer feel gives the learner the most valuable experience of their workplace?
- Is there an alternative model which would better serve the needs of employers and apprentices

#### Impact

- What the CA has delivered on in terms of value for money?
- What do the creative and cultural industries want to achieve with apprenticeships more generally; a more diverse workforce, growing the businesses through training staff etc

#### Feasibility of expansion

- Are there links between foundation degrees and apprenticeships – if so which ones could apprentices progress to?
- What is the feasibility of establishing higher level apprenticeships and what might this look like to the sector at levels 4, 5 and 6? Is the provision there but called a different name, and how can we influence this provision?
- How does the current model for Apprenticeships work for industry and are there more suitable models?

**2.14** Creative & Cultural Skills has also raised questions on the impact of the Young Apprenticeship Programme and these are addressed in a separate report.

**2.15** This report includes:

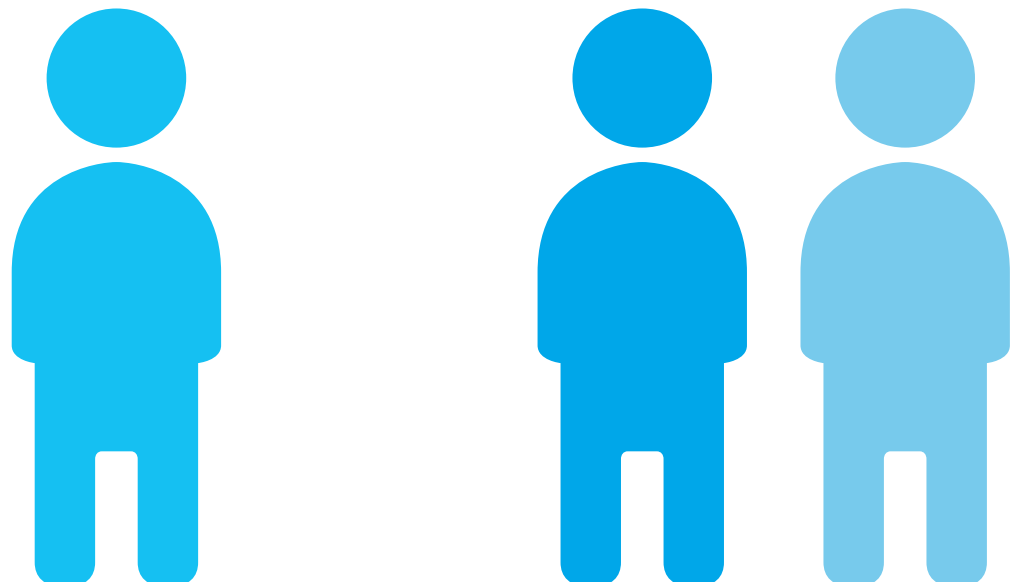
- An overview of social impact and other methodologies used in this work
- An analysis of the activities and outcomes of the above programmes
- An overview of how those outcomes may be measured using financial proxies
- An overview of the results of the evaluation
- A detailed presentation of the models and assumptions used in the evaluation
- A qualitative assessment of the effectiveness and impact of the CA from surveys, focus groups and interviews
- Qualitative assessment of the feasibility of extending the CA to higher levels

#### **Reliance on work by Creative & Cultural Skills**

**2.16** During the course of the work, information and explanations from Creative & Cultural Skills has been relied upon, including:

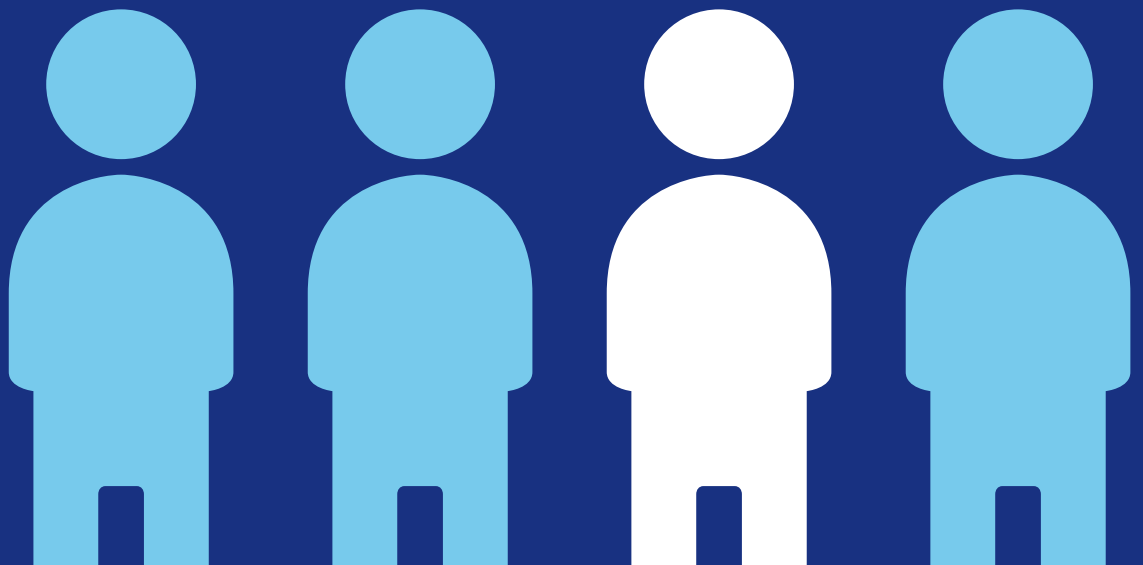
- The nature, outcomes and beneficiaries of their activities
- The assumptions used in evaluating the impact of their services

**2.17** Where possible, assumptions from Creative & Cultural Skills have been validated based on independent data or data extracted from Creative & Cultural Skills' management information systems. Nevertheless, Creative & Cultural Skills is responsible for making the assumptions used in this report, and has confirmed that they are, to the best of their knowledge and belief, accurate and reasonable.



# 03

## Concepts and methodologies used







# Concepts and methodologies used

### **Introduction**

**3.1** The review has considered and identified new evidence related to the value/usefulness of the CA in the creative and cultural sectors.

**3.2** The outcomes of the review are expressed in both qualitative terms and in numerical terms in the evaluation of social return on investment.

**3.3** The research behind these outcomes is based on:

- Literature reviews (see bibliography at Appendix C)
- Surveys of employers and providers
- Focus groups of stakeholders including providers, employers and local authority
- Interviews with providers and employers
- Data supplied by Creative & Cultural Skills

### **Surveys**

**3.4** Separate surveys were produced for each of:

- Employers
- Providers

### **Employers**

**3.5** Creative & Cultural Skills distributed links to an electronic survey to its database of employers. The survey responses were independent of Creative & Cultural Skills and sent to Education and Employers Taskforce.

### **Providers**

**3.6** Baker Tilly distributed links to an electronic survey to the list of CA providers provided by Creative & Cultural Skills. The survey responses were independent of Creative & Cultural Skills and sent to Education and Employers Taskforce.

## Concepts and methodologies used

### Focus groups

**3.7** Two focus group meetings of providers, employers and local authorities were held. In these groups we explored:

- The aims of apprenticeships in the creative & cultural sector, for example a more diverse workforce, growing the business through training staff
- The impact of different delivery mechanisms, in particular the National Skills Academy
- Links between foundation degrees and apprenticeships
- Feasibility of establishing higher level apprenticeships (levels 4,5 and 6)
- Feasibility of establishing a framework similar to the YAP at level 3
- How well the current model for apprenticeships works for industry and whether there are other suitable models
- Social return on investment of the YAP and Creative Apprenticeships

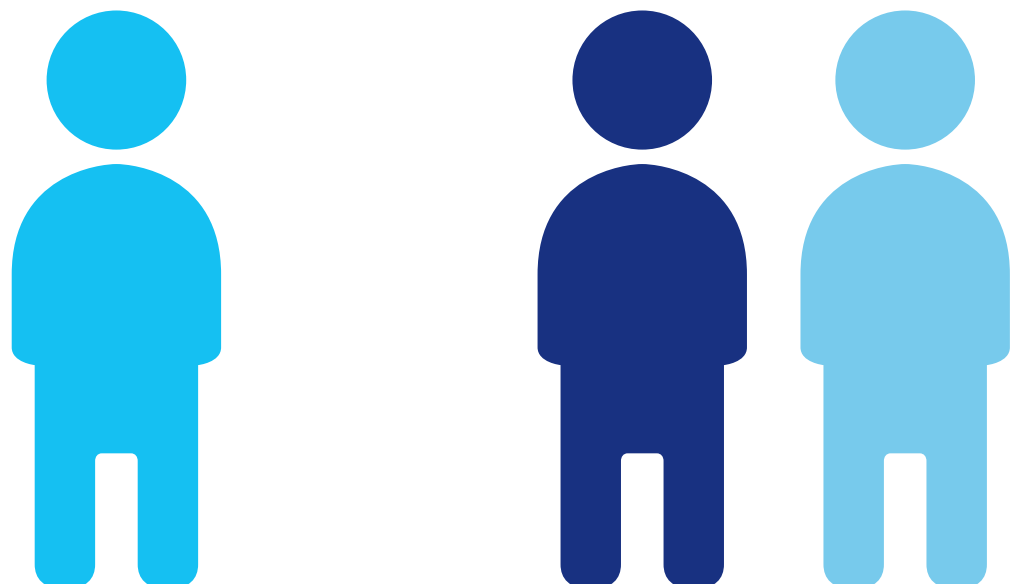
### **3.8 Focus group members were selected from a number of sources:**

- Creative & Cultural Skills employer contacts
- Invitation sent with the provider survey
- Contacts of the research team

**3.9** Across the two meetings two employers, three further education college providers and one local authority representative attended. One of the employers is also a provider of CAs. In carrying out the project we found that it was quite common for providers to also be employers.

**3.10** Researchers were Stephanie Mason and Chris Theobald of Baker Tilly and Dr Anthony Mann of Education and Employers Taskforce. A series of questions were posed by the researchers for discussion, and the views which developed were recorded.

**3.11** The emphasis in this report is on the CA. A separate report will be produced on the YAP.



**Interviews**

**3.12** Interviews were held either face to face or by telephone with employers and providers who had volunteered to be interviewed. This enabled a wider geographical spread of employers and providers to contribute.

**Social return on investment**

**3.13** The methodologies for the evaluation of social return on investment are set out in section four.

# 04

## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)





# **Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)**



## Background to SROI methodology

**4.1** Social Return on Investment (SROI) is a form of economic cost/benefit analysis, which considers broader outcomes in society rather than focusing only on the direct profit or cash flows associated with a project.

**4.2** The SROI methodology has been developed in order to help organisations to "...[measure and quantify] the benefits they are generating" (per Lawlor, Neizert & Nicholls writing in the SROI guide, 2008)<sup>3</sup>. This approach was piloted in the UK through the Measuring What Matters programme during 2002 and has evolved since then as further work has been done to develop the framework around it.

**4.3** It is increasingly being seen as an "incredibly useful tool"<sup>4</sup> by a number of organisations and key commentators within the Third and Public sectors in the push to measure and evaluate social impact.

**4.4** There are three 'bottom line' aspects of social return:

- Economic: the financial and other effects on the economy, either macro or micro
- Social: the effects in individuals' or communities' lives that affect their relationships with each other
- Environmental: the effects on the physical environment, both short and long term

**4.5** A review of academic work and practical examples of SROI in use by the Third and publicly-funded sectors suggests that the measures fall into three patterns:

- Economic gain created: this is typically seen where there is an impact on earnings capacity or productivity
- Wastage avoided: this is typically seen where an intervention results in a saving either in the cost of another intervention or in a consequential cost (e.g. introducing a preventative intervention to reduce or save the cost of a later 'cure'). This may also be seen in either the removal of the need for or an increase in the effectiveness of another intervention
- Alternative sourcing cost (where an essential product or service is delivered significantly below the commercial market rate for such products/services)

**4.6** Further support for SROI's adoption by the third sector has been seen in the recent report 'Outcome-Based Government', published by the Centre for Social Justice ("CSJ")<sup>5</sup>. This report considers the need to link funding of interventions with the expected outcomes (and their associated value). It suggests that funding should be focused on those interventions that are likely to achieve the highest value outcome: "Improving life outcomes should be the ultimate goal of a government's social policy: if policy makers can better identify failing initiatives, and shift spending toward programmes that effectively deliver sustainable, long-term outcomes, the social and financial returns to society and the public sector will be very great indeed."

<sup>3</sup> Nicholls, J., Lawlor, E., Neizert, E. & Goodspeed, T. (2009), A guide to Social Return on Investment, London, Cabinet Office

<sup>4</sup> Copps, J. and Heady, L. 2010. Social Return on Investment: Position Paper, April 2010. London. NPC. From [www.philanthropycapital.org](http://www.philanthropycapital.org)

<sup>5</sup> Brien, S., 2011, Outcome-Based Government, London, Centre for Social Justice

## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)

**4.7** CSJ strongly advocates a shift towards evidence-based government, in which funding decisions are based on clear, high quality evidence of impact value, with SROI cited as a “more rigorous approach to performance management while attempting to capture the social and environmental impacts of public spending.”

**4.8** Overall, it is felt that SROI is a vital tool to provide the Third and publicly-funded Sector with a means to evaluate its wider contribution to Society. However, there are several issues to consider when applying this, that are worthy of mention:

- SROI, as it is typically presented, tends to ignore the risks associated with the benefits generated. In the course of our work on this project, we have consulted with two focus groups, specialist staff at Creative & Cultural Skills and referred to other research studies in order to focus on the achievable benefit created, and to build in reductions to assumptions to account for risks, where necessary
- A robust SROI analysis must consider the proximity of the benefit created to the actions of the organisation that is seeking to claim ownership of that benefit. The aim of this study is to focus only on outcomes that are directly attributable to Creative Apprenticeships. To the greatest extent possible, we have obtained evidence to support such outcomes either from focus groups, questionnaires or other research studies
- SROI is typically presented as a ratio of the value of the benefits achieved per pound spent to achieve those benefits. This may be useful internally to each organisation as a measure of performance relative to prior periods. However, the use of this ratio to compare organisations is inherently flawed due to sector and organisation-specific factors that reduce the level of comparability between organisations. Hence, the results of this report are not presented in the form of a ratio
- There is a danger that organisations seeking to evaluate their impact using SROI may create calculations that are extremely granular to the extent that they become open to accusations of ‘spurious accuracy’. In this exercise, a smaller number of key assumptions have been identified and used to develop a prudent result at a high level. It is considered important to present a more defensible, prudent analysis than one which is overly complicated and risks overstatement
- SROI does not take account of the interrelationship of Social Impact and brand value. By creating greater Social Impact, the recognition and perceived quality of Creative Apprenticeships or an associated organisation’s brand is likely to improve, thus increasing the value of that brand. A stronger brand may enhance the social impact of the CA. Historical evidence of good outcomes for learners on Creative Apprenticeships (e.g. post-completion employment rates) is indicative that these courses do, indeed, have a well-recognised ‘brand’ in the sector

### Sources of evidence used in this evaluation

**4.9** In the course of this study we have obtained evidence from the following sources:

- Surveys of employers, providers and learners
- A review of secondary research sources (which are cited in the footnotes of this report)
- Data provided by Creative & Cultural Skills
- Certain assumptions have been made by staff at Creative & Cultural Skills

**4.10** To the greatest extent possible, inputs used in the SROI evaluation are based on data, primary research findings or externally verified research. Where no data exist, Creative & Cultural Skills have provided us with assumptions that are, to the best of their knowledge and belief, reasonable. Neither Baker Tilly nor Education and Employers' Taskforce are responsible for the assumptions used in the evaluation shown in this report.

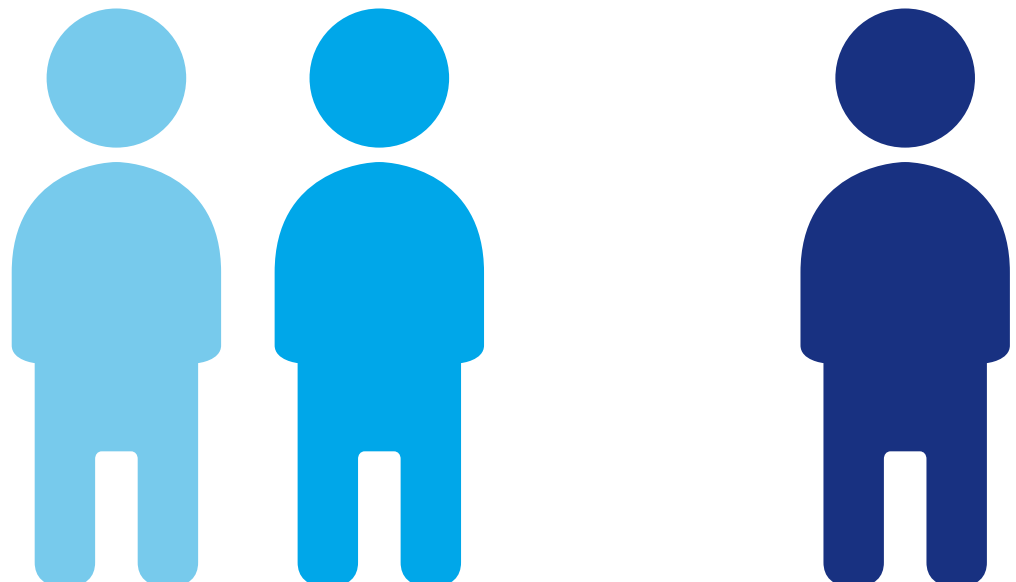
#### **Scope and purpose of the SROI evaluation**

**4.11** This study considers the historical benefits achieved by Creative Apprenticeships by reference to the incremental gains achieved by learners. This incremental gain is set against the 'displacement' cost of delivering Creative Apprenticeships. Unlike Apprenticeships in other sectors (which existed prior to intervention by SSCs), the CA did not exist until Creative & Cultural Skills intervened to develop it (i.e. the incremental cost of provision is attributable to Creative & Cultural Skills' intervention).

**4.12** In addition to the historical evaluation, Creative & Cultural Skills has requested that a forecast be prepared in relation to Creative Apprenticeships. This is prepared based on current performance and Creative & Cultural Skills' assumptions on future growth in learner numbers, given that the CA is still at a relatively early stage of its development.

**4.13** This section includes an overview of the outcomes identified for use in the models, commentary on the key assumptions used for the models and an overview of the results of the historical and forecast evaluations.

**4.14** The detailed evaluation models used in this study are included at Appendix A.



## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)

### Overview of outcomes achieved and summary of evidence

#### Mapping outcomes measured

**4.15** The diagram below shows a map of the activities undertaken in Creative Apprenticeship to the outcomes associated with them, the beneficiaries and the identified form that such gain takes for each. The ‘theory of change’ presented in this map is derived from the results of employer and provider surveys and focus group/interview discussions:

Activity	Primary Outcomes	Secondary Outcomes	Beneficiary
Classroom based teaching related to CA – typically one day College release per week from the workplace	More relevant and useful qualifications and frameworks achieved by learners due to practical experience and relevance of skills taught in college	Learners are more productive upon completion of the Apprenticeship	Employers: <ul style="list-style-type: none"> <li>Enhanced productivity results in increased profitability</li> <li>Reduction induction costs</li> <li>Reduced recruitment costs</li> <li>Learners</li> <li>Learners that have gained broad experience of the sector and that have realistic expectations of what will be required of them are likely to see some premium on their earnings</li> </ul>
	Practical experience of work in the sector builds networks and delivers a well-rounded view of the reality of work in the sector – learners are thus able to make an informed choice	Learners that choose to move to other sectors benefit from practical experience of the workplace environment and are therefore likely to be more productive	
	Diversity in the workplace improves through opening routes to the sector for a broader range of people	Learners may achieve a wage premium upon entry to the sector	
Practical work experience gained through placement with an employer, typically for four to five days per week	Employers have an opportunity to assess the ability of recruits in detail prior to making an offer of employment	Enhanced productivity and wages result in increased corporate profits and individual earnings, therefore resulting in increased tax receipts for the state	<ul style="list-style-type: none"> <li>The state</li> <li>Enhanced corporate and individual; earnings result in increased tax receipts</li> <li>A thriving creative and cultural sector may have wider effects such as increasing the attractiveness of the UK as a tourist destination (not measured)</li> <li>CA may offer access to learners from disadvantaged backgrounds (not measured)</li> </ul>
	Employers benefit from productive Apprentices in their workplace for four to five days per week	Employers that take on an employee who has completed an Apprenticeship related to the sector may reduce induction costs in areas taught on the Apprenticeships programme	

**4.16** A number of employers in the sector are charities, and do not pay tax on profits earned. For these employers, increased profitability equates to improved surpluses that can be reinvested for the purpose of enhancing the achievement of outcomes for beneficiaries (i.e. increasing its Social Impact). The value of the uplift in productivity is the same, despite the variation in the beneficiaries of it. In order to avoid over-claiming, we have not sought to evaluate the further gain achieved by the reinvestment of surpluses by charitable bodies that benefit from this programme.

**4.17** The evidence for the outcomes shown above is discussed in detail below.

#### Enhanced productivity

**4.18** Employers responded to a survey and attended focus groups/interviews. From their responses it is clear that CAs make a contribution to the employer with which they are placed during the CA:

- 79% of employers responded that the CA made a significant contribution
- 19% felt that the CA had made a contribution of some kind
- Only 2% responded that the CA made no contribution.

**4.19** Feedback from focus groups and surveys suggested that they would expect CAs to be more productive having completed the CA than employees entering the workforce from alternative qualification backgrounds or those who were already in employment who used the CA for professional development. This was attributed to their experience and broader understanding of the sector than employees that have undertaken alternative qualifications or none.

**4.20** Responses to the employers' survey agree with the focus group view of CAs compared to new employees of a similar age:

- Over 70% felt that CAs have better or significantly better industry experience
- Over 70% felt that CAs have more appropriate skills
- 78% felt that CAs are more effective in the workplace
- 55% felt that CAs have a better level of skills
- 63% felt that CAs are more useful from day one
- 63% felt that CAs are more productive.

**4.21** No employers responded to the survey that CAs were less than equivalent to new employees of a similar age.

**4.22** For the purposes of this study, it is assumed that the enhanced 'contribution' of CAs to employers manifests itself in terms of increased productivity. This may be justified from provider feedback in focus groups that CAs are better equipped to be versatile in the sector. An example of this was that providers would expect CAs to be self-starters with a broader awareness of opportunities in the sector they work in.

**4.23** Studies on the value of Apprenticeships have historically tended to refer to wage premia for Apprentices compared to equivalent employees or learners on alternative courses of study. Among the latest of these studies is the work of BIS published in 2011, which highlights the lifetime wage premia observed for level 2 or level 3 Apprenticeships frameworks and other vocational qualifications<sup>6</sup>.

**4.24** For the purposes of this study, it is implicitly assumed that an employer is unlikely to 'pay away' a wage premium to a member of staff merely because they are qualified to a higher level (although this is clearly a key factor). Employers will, either explicitly or implicitly, consider the performance of individual employees when setting wage levels and in so doing will take account of their contribution to the business (i.e. their productivity relative to other employees of a similar level). It is therefore assumed that wage premia are a proportionate reward for increased productivity (i.e. the proportionate wage premium is assumed to be broadly consistent with the proportionate gain in productivity compared to a broader average).

**4.25** BIS published findings of the wage premia associated with vocational qualifications at Levels 2 and 3<sup>7</sup> range from 4% for a provider-based NVQ Level 2 to 16% an Apprenticeship Level 2 and 18% for an Apprenticeship Level 3.

<sup>6</sup> Beaven, R., May-Gillings, M., Wilson, R., Bosworth, D. (2011) Measuring the Economic Impact of Further Education, London, Department for Business Innovation and Skills

<sup>7</sup> Beaven, R., May-Gillings, M., Wilson, R., Bosworth, D. (2011) Measuring the Economic Impact of Further Education, London, Department for Business Innovation and Skills

## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)

### Reduced Induction Costs

**4.26** Having completed an Apprenticeship, our employers' survey results show that

- 57.1% of Apprentices remained with their employer post-completion
- 32.1% were employed by another company in the industry
- 10.7% went on to work in another industry

**4.27** For those that remained with their training employer, we would not expect that any induction costs would be incurred (induction programmes are included in the CA course or would be covered in any case by the employer). Hence, a significant saving may be achieved compared to an employee who has not received any formal induction within the industry.

**4.28** Those that moved on to another employer within the same industry may have been less costly to induct, as the Apprenticeship course covers key induction topics such as health and safety. Some induction would still be required, although this is more likely to be focused on employer-specific issues rather than more generic industry-related training.

**4.29** On this basis, it appears to be reasonable to conclude that:

- Filling a vacancy with an internally appointed Apprentice reduces induction costs to £nil (albeit costs of induction incurred during their Apprenticeship should be deducted as 'displacement')
- Filling a vacancy with an externally appointed Apprentice limits the induction required to company-specific matters rather than industry-related matters, which are covered by the Apprenticeship course

**4.30** For Apprentices that move on to other industries, it is anticipated that there may be some reduction in induction training required, but it is believed to be prudent to exclude such gains from this analysis, as such savings may vary significantly depending on the similarity of their new sector to the Creative sectors.

**4.31** Induction costs fall into several categories, but will vary depending on the extent to which an employer delivers training internally or using external training providers:

- Site induction including an introduction to facilities and processes (unlikely to be avoided or reduced)
- Health and safety training (potentially some savings for areas that are covered in the Apprenticeship course and appropriately evidenced. Most employers may repeat aspects of this training to ensure compliance with statutory duties)
- Role-specific training including key skills required to fulfil the job requirements (significant savings may be achieved here as Apprentices are more likely to have prior experience and training in key skills required by the sector).

**4.32** Creative & Cultural Skills believe that the potential savings achievable on induction of an Apprentice compared to an employee from an alternative skills background would be c15%. This appears to be reasonable, and, indeed, prudent, in light of the potential areas of saving outlined above. This assumption appears to be prudent compared to the level of savings assumed by other SSCs of up to 40% dependent the characteristics of the particular sector.

### Reduced recruitment costs

**4.33** Several factors may influence the potential for employers to achieve a saving in recruitment costs through the use of Apprentices:

- Recruitment to fill known vacancies: some employers may use the recruitment of an Apprentice as a mechanism to develop a new member of staff to fill a known vacancy in the organisation for the longer term. Our survey found that c57% of CAs remain with the employer they trained with post-completion. In these cases, the Apprenticeship has effectively been used as a recruitment tool. It provides an opportunity for the employer to review progress during their Apprenticeship: provided they are of suitable quality they can relatively easily transition into a full time role with minimal recruitment cost.
- Reduced application vetting time: our survey found that around 10% of Apprentices moved on to other employers within the same sector. For these CAs, the framework gives them a grounding in key skills and an awareness of the sector that may be relied upon by employers during the application vetting process

**4.34** It is likely that some employers would not reduce the time spent short-listing due to completion of the CA. In order to reflect this, we have excluded the 32% of CAs that moved away from the industry, given that the framework may have less relevance elsewhere (i.e. the likelihood is that a short-listing process may be unchanged).

### Financial proxies used

**4.35** The diagram above highlights that Creative Apprenticeships have an immediate effect on employers who gain a productive employee (albeit they bear some of the cost of delivering the Apprenticeship course). The practical experience gained by Apprentices has been shown to result in a wage premium compared to employees with alternative or no qualifications. It is assumed in this study that such wage premia reflect wider productivity gains observed by employers in relation to learners from the CA.

**4.36** There are three key elements of financial gain to consider:

- Wage premia for learners upon entry to the workforce (and thereafter)
- Corporate profitability increases achieved
- Increased taxation receipts for the State on corporate profits and employee earnings

**4.37** These three aspects of gain are combined within the additional productivity generated by employees:

- Wage premia are paid out of incremental profitability
- Tax is paid on profits remaining after costs are deducted from this productivity
- Corporate profits may be expected to increase as a result of incremental productivity

**4.38** Rather than using three separate models for each of these gains (which would risk double-counting of the gain), we have used a combined model that considers the wider impact on productivity implied from various research sources over a period of ten years (an initial uplift of 7.5% for ten years. This appears to be prudent in light of BIS' finding of a lifetime wage premium of up to 18% for Level 3 Apprenticeships compared to employees at Level 1.



## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)

**4.39** The Apprenticeship includes teaching that falls into the area of ‘induction’ training. This includes essential health and safety and well as industry-specific training. By delivering this training to a consistent standard, the course gives employers confidence that certain basic skills have been covered. This may allow employers to reduce the extent (and therefore the cost) of induction training other than that related to the employer’s site and specific health and safety issues.

**4.40** We have taken an assumed typical recruitment cost of c£1,500 per recruit (which is assumed to include agency costs, the internal time cost for the vetting and interview process and the costs of placing advertisements for the vacancy). In the case of CAs that transition to employment in the same organisation, this is assumed to be saved in full. For those moving to another employer, it is assumed that 30% of the cost may be saved through efficiencies in the process. 25% of the total value from this model is deducted for Deadweight to reflect the likelihood that some processes may remain unchanged or that an employer took on a CA with it in mind that they would fill a newly created role post-completion (i.e. there was never an intention to undertake a full recruitment process in any case).

**4.41** Supporting evidence for the outcomes shown above and the assumptions used in the models is provided below.

### Key assumptions used

**4.42** In order to ensure that the evaluations shown in this study present a prudent view of the economic gain achieved, we have used the following key assumptions as to the quantum and duration of the productivity gain from the CA:

- It is assumed that 85% of Apprentices continue in employment after completion, and 15% continue on a further course of Higher Education study for a further three years. The evidence from the employers’ survey indicates that all Apprentices at respondent businesses continued in employment. However Creative & Cultural Skills believe it to be prudent to allow for some learners to progress on to further study such as degree courses (thereby delaying their entry to the workforce). Feedback from focus interviews with employers indicate that some CAs do progress on to further study
- We have evaluated a productivity uplift over a maximum period of ten years only (rather than assuming a lifetime uplift). This is believed by Creative & Cultural Skills to be a reasonable period to use during which an equivalent learner may be expected to have caught up their effectiveness in their role to a similar level. Creative & Cultural Skills believe that some of the practical skills and knowledge taught on the Creative Apprenticeship may remain with the learner for a considerably longer period, and so believe this to be a prudent reflection of the duration of benefits to the learner

**4.43** It is assumed that induction training per new employee costs £750 (including the value of lost productive time for the employee and trainer as well as the costs of any externally delivered courses). It is further assumed that an Apprentice who has received training that would normally be covered for new employees during induction may save up to 50% of the time and therefore the cost of inducting a new employee. We have included a drop-off deduction of 50% to account for CAs who were already in employment (and had therefore already been inducted), for whom no saving would be achieved.



### **Assumed deductions for deadweight and alternative attribution**

**4.44** The purpose of this exercise is to evaluate the value of Creative & Cultural Skills' input to the Creative Apprenticeship. In arriving at an assumed deduction for alternative attribution, Creative & Cultural Skills have taken into account that:

- They were instrumental in the development of the Creative Apprenticeship, as no similar programme existed prior to their involvement
- They played a pivotal role in canvassing employer opinion on the matter and creating demand for the CA
- They were primarily responsible for the development of the framework and the National Occupational Standards upon which it is based
- They have acted as a broker between providers and employers to ensure that demand and supply of the Creative Apprenticeship are managed effectively for the sector.

**4.45** Other agencies have been involved in the development and delivery of the Creative Apprenticeship. However, the factors described above are indicative that Creative & Cultural Skills has played a pivotal role as the catalyst for the development and roll-out of the framework. On that basis, Creative & Cultural Skills' assumption that 25% of the gains achieved may be attributed to other agencies appears to be reasonable.

**4.46** In the case of the recruitment costs model, a higher deduction for deadweight of 25% is used, to reflect the 'risk' that the CA was taken on to fill a newly created role, and there was never an intention to undertake a wider recruitment process. It is also intended to account for the risk that some processes remained unchanged. In conjunction with the exclusion of 32% of CAs that moved to other sectors from the model, this is believed by Creative & Cultural Skills to be a prudent deduction. The deduction for alternative attribution in this model is 25%, in line with other models used in this study.

**4.47** Feedback of providers and employers who took part in our focus group session was that the Creative Apprenticeship made a significant difference to them compared to the alternatives that were available, and, as noted above, no equivalent formal qualifications were available prior to the involvement of Creative & Cultural Skills in developing the CA. Hence, a deduction of 5% for deadweight has been made to reflect the 'risk' that a learner might otherwise access similar practical experience of the sector of their own volition. This appears to be reasonable in light of the feedback from learners that the quality of teaching and the course content (which they would not otherwise be able to access) is fundamental to the benefits of the CA.

**4.48** Whilst there may be some level of comparison between this and other post 16 qualifications (A-Levels in particular) we note that the employers survey found that some 41% felt that A-Levels were either poor or very poor preparation for the workplace, with a further 19.5% being unsure as to their usefulness. This contrasts starkly with the positive feedback from employers on the usefulness of the Apprenticeship discussed earlier in this section (§4.20).

**4.49** Displacement is accounted for in the model with the deduction of the incremental cost of delivering the Creative Apprenticeship.

## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)

### Conclusion on historical impact of CAs

**4.50** The table below highlights key assumptions used in the evaluation models. A detailed analysis of the assumptions used and the workings of the model is included at Appendix A:

Overview of key assumptions	Assumption	Evaluated gains £
Number of CAs (latest cohort)	210	
Proportion entering the workforce post CA	85%	
Proportion entering the workforce after further study	15%	
Average per capita productivity per annum (£)	30,000	
Productivity uplift due to CA	7.5%	
Duration of uplift (years)	10	
Deduction for deadweight	5%	
Deduction for alternative attribution	25%	
<b>Evaluated gain due to Creative and Cultural Skills</b>		<b>2,439,232</b>
Induction training spend per new employee of similar age	750	
Reduction achieved by CA	50%	
Deduction for deadweight	5%	
Deduction for alternative attribution	25%	
<b>Evaluated gain due to Creative and Cultural Skills</b>		<b>24,806</b>
Proportion of apprentices that remain with their employer	57%	
Recruitment cost saving	1,500	
Proportion of apprentices that move to another employer	11%	
Recruitment cost saving	450	
Deduction for deadweight	25%	
Deduction for alternative attribution	25%	
<b>Evaluated gain due to Creative and Cultural Skills</b>		<b>85,475</b>
<b>Incremental cost of delivery per learner (displacement) (£)</b>	<b>500</b>	<b>(105,000)</b>
<b>Total evaluated gain due to Creative and Cultural Skills</b>		<b>2,444,514</b>

**4.51** Detailed results of the evaluation are shown at Appendix A. This study highlights a net gain per cohort of CAs of c£2.4m over a ten year period (after deducting the incremental costs of delivering the CA). This highlights that there has historically been a significant economic gain associated with the CA.

**4.52** This evaluation is based on a set of assumptions that are, to the greatest extent possible, based on data or externally verified research. Where assumptions have been required but without such researched data on which to base them (in particular the proportion and duration of productivity gains), these have been based on a reasonable and prudent judgement by Creative & Cultural Skills.

### Forecasting the future economic impact of CAs

**4.53** We have used a variant of the model shown at Appendix A to project a further five years of CA delivery (assuming that further growth in learner numbers is achieved as the framework continues to build momentum). For this purpose, the assumed numbers of completions used are:

- Year 1: 250
- Year 2: 275
- Year 3: 300
- Year 4: 350
- Year 5: 400

**4.54** All other assumptions have been kept as shown in the historical evaluation model shown in Appendix A.

**4.55** The forecast model assumes that learner numbers in year five are broadly double that shown for the latest cohort. At present, the CA is at a relatively early stage of its growth and we have therefore presented a forecast showing the impact of potential future increases in learner numbers as it gains traction in the sector. We have used a five year period for the purposes of this exercise as it represents a timescale over which the CA is expected to achieve further growth in learner numbers, but does not exceed a reasonably foreseeable time horizon. The potential for changes in education policy and funding to occur in future would make the use of a longer forecast period unreliable.

**4.56** The table below shows the net gains for each of the five years and the restatement of these gains to their present values (i.e. restating them to their value in today's terms – see Appendix B on Discounted Cash Flow Methodology):

Economic gain for five further cohorts	Discount rate	Net gain evaluated (£)	Present value of net gain (£)
Year 1	3.5%	2,910,135	2,811,725
Year 2	3.5%	3,201,149	2,988,307
Year 3	3.5%	3,492,162	3,149,730
Year 4	3.5%	4,074,190	3,550,421
Year 5	3.5%	4,656,217	3,920,409
<b>Total forecast gain for five cohorts</b>			<b>16,420,593</b>

## Evaluation of the economic benefit of Creative Apprenticeships using Social Return on Investment (SROI)

### Conclusion on forecast economic benefit of CA

**4.57** The analysis above shows that a net gain (in present value terms) of c£16.4 million is forecast to occur based on the assumptions set out above.

**4.58** As is described earlier in this section, for each cohort of learners, there is a benefit over a ten year period in incremental productivity achieved. This gain occurs in the hands of employers (increased profitability and reduced induction costs), learners (wage premia received) and the State (tax receipts on corporate profits and employment income).

**4.59** Deductions for deadweight, alternative attribution and displacement are as described earlier in this section for the historical evaluation.

### Unevaluated gains

**4.60** As is noted on the diagram shown at §4.15, we have not evaluated gains arising from:

- The impact of the CA on ensuring that the UK has a thriving creative industry, which might result in gains for other sectors including, amongst others, leisure and tourism
- The value of access to the creative industries offered by the CA to learners from disadvantaged backgrounds (in particular, this excludes the gains to society from re-engaging learners that would otherwise have been NEET at age 18+)
- Productivity achieved by the learner during their Apprenticeship.

**4.61** Any economic gains associated with the above areas would be incremental to the gains shown in the evaluations above.

### Sensitivity analysis

**4.62** The evaluations shown in this section are subject to certain key assumptions:

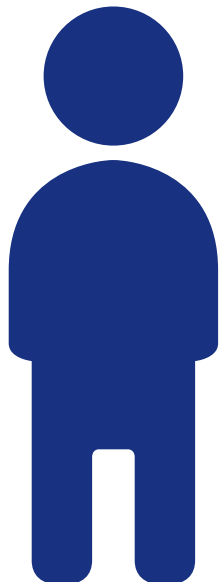
- The quantum of the productivity uplift
- The duration of the productivity uplift
- The quantum of the induction cost saving achieved

**4.63** The table below shows the impact of a 50% reduction in each of these assumptions, compared to the 'base case' model results shown earlier in this section and in detail at Appendix A:

	Historical evaluated gain £	Forecast evaluated gain £
Base case	2,444,514	16,420,593
Reduce productivity gain by 50%	1,224,898	8,228,035
Reduce productivity gain duration by 50%	1,329,531	8,930,892
Reduce induction cost saving by 50%	2,432,111	16,337,277
Reduce recruitment cost saving by 50%	2,400,607	16,125,655

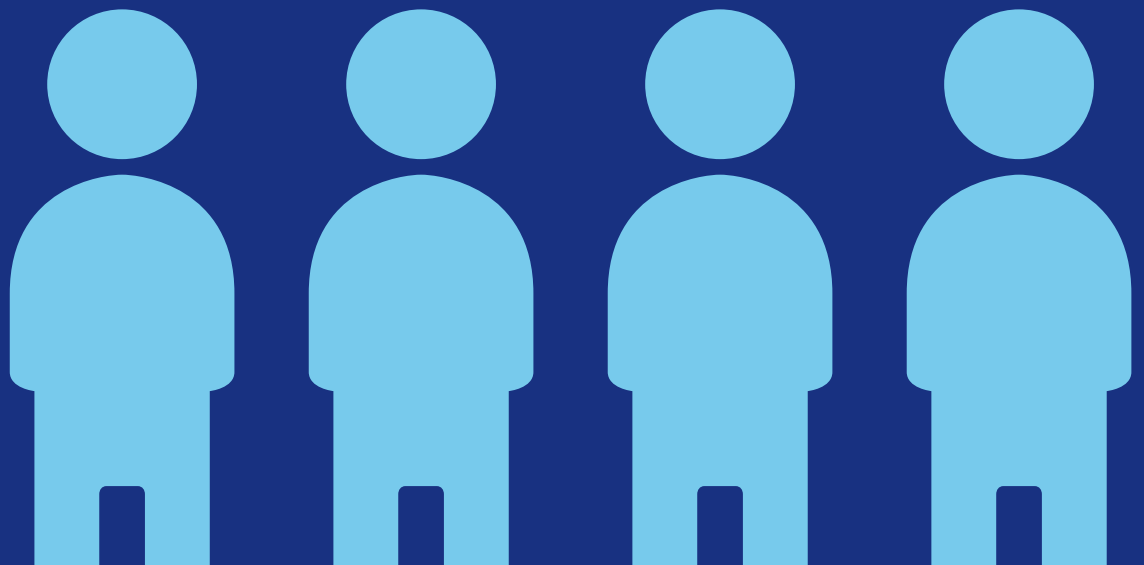
**4.64** The table above highlights that even in the event that a substantially lower productivity gain or gain duration occurred, a net gain is still achieved (after deducting the incremental costs of the CA). The sensitivity analysis also shows that the model is relatively insensitive to changes in the induction cost saving achieved.

**4.65** On this basis the conclusion (i.e. that the CA achieved an economic gain substantially greater than the cost of funding it) would not be materially altered.



# 05

## Qualitative assessment of the effectiveness and impact of CAs





# Qualitative assessment of the effectiveness and impact of CAs



### The review process

**5.1** The review has considered and identified new evidence related to the effectiveness and impact of CAs. Data informing this report is primarily derives from:

- Surveys of
  - Employers
  - Providers
- Focus groups of stakeholders including providers, employers and local authority representatives
- Interviews with providers, employers and Creative & Cultural Skills staff

### Benefit of a CA

**5.2** Of the employers responding to the survey, 86% had heard of the CA and 44% had employed a CA.

**5.3** The majority expressed a strong view that the CA was able to contribute to the work place and become a net asset to the enterprise.

**5.4** Key quotes and benefits of taking on an apprentice included:

“The actual apprentice we took was fantastic, with great qualities”

“We found the right person to do the job we needed with a genuine interest and enthusiasm for the work”

“We have found that work-based learning creates a highly skilled, passionate, diverse and committed workforce trained specifically to the needs of creative and cultural organisations with the values, ethos, knowledge and skills they require”

### Aims for apprenticeships

**5.5** We asked employers their reasons for taking on a CA. A wide range of reasons were given, which can be grouped into:

- Diversity
- Financial
- Altruistic/political

These reasons are discussed further below.

### Diversity

**5.6** Creative & Cultural Skills research shows that employment in the sector is skewed to a white, male highly qualified, older work force than the economy as a whole, the key characteristics are set out below<sup>8</sup>:

	Creative and Cultural industries %	Total economy %
% of workforce described as white	93	91
% male	59	54
% under age 20	2	4
% under age 30	10	14
% at levels 4 to 8	54	27
% freelance	25	13

<sup>8</sup> Creative & Cultural Skills. 2011. Creative and Cultural Industries Impact and Footprint 2010/2011. Creative & Cultural Skills

## Qualitative assessment of the effectiveness and impact of CAs

**5.7** The survey reported that many jobs are still advertised as applicants requiring a degree and that in many cases people working in the industry are over-qualified for the jobs they are doing. This is representative of the culture in the sector and makes it hard for young people and individuals with the skills but no degree to enter the sector.

**5.8** There is a culture in much of the sector of taking on unpaid interns, generally educated to higher levels. The survey notes that “it is challenging to convince employers why they should recruit an apprentice instead of an intern”.

**5.9** Alongside this retained requirement for a degree is the acknowledgement that CAs are better skilled for the job than entrants at degree level as they have the practical experience.<sup>9</sup>

**5.10** Survey responses to reasons for taking on a CA included:

- “diversify our own recruitment practices”
- “Encourages greater diversity in the workforce”

**5.11** The difficulties of recruiting young people to the sector and CAs are addressed in section 6.

### **Financial**

**5.12** The review identified positive and negative financial aspects of taking on an apprentice.

**5.13** The initial reduced wage costs were quoted as a benefit. In some cases additional funding is provided as a contribution towards salary, for example from local councils or other Arts bodies.

**5.14** Financial aspects were also seen as a barrier to taking on apprentices and these are discussed in section 6.

### **Altruistic/political**

**5.15** Only 21% of the employers responding described themselves as “private” organisations. Most employers responding to the survey were public or third sector organisations with this in mind there was a wish “to demonstrate leadership among cultural partners”

**5.16** Reasons for taking on a CA included

- Politically correct
- Wanted to lead by example
- Founder College
- To open up new avenues and opportunities into the industry for people from different backgrounds

<sup>9</sup> Focus group 14 April 2011

**How easy is it to place/take on a CA?**

**5.17** The research suggests that employers find it very difficult to place/take on an apprentice.

**5.18** In our employer survey 39% of respondents disagreed with the statement “it is easy for enterprises like ours to become involved with the CA programme”. When asked if there was anything that would encourage organisations to take part 63% said “being paid to do so”. The average level of payment requested was circa £6,500.

**5.19** Despite there being an identified skills gap in certain sub-sectors of the industry, providers have found it very difficult to place CAs with employers, with a miss-match between those studying creative and cultural courses and the number of jobs available to those who wish to work in the sector.

There is currently a miss-match between the investment in performing courses and actual jobs available in the industry which are in the technical, backstage, front of house and administration roles. Creative & Cultural Skills is committed to providing industry-endorsed careers advice and guidance, creating non-graduate entry routes and professional development for workers in the sector.<sup>10</sup>

**5.20** One of the reasons for this difficulty is the cost to an employer of taking on an apprentice. An apprentice is required to be in paid employment. Where additional funding is provided for the period of the apprenticeship, it is cited as not always being possible to keep the apprentice on.

**5.21** There was a very clear message from providers that it was hard to find employers to work with and placements for apprentices. Where placements had been found, the relationship with the employer was rated as good.

**5.22** In a number of cases the individuals taking the apprenticeship were already employed by the provider.

**5.23** There were some adverse comments about reporting requirements and bureaucracy and also some issues about the awarding body.

“paperwork very heavy and employers reluctant to take it on”

“overwhelming data burden”

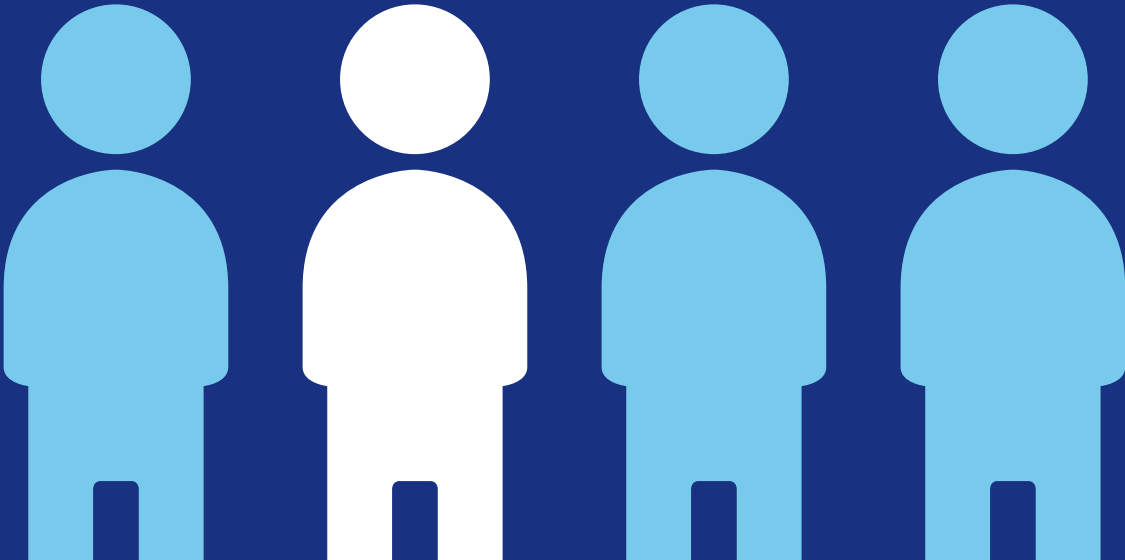
<sup>10</sup> Creative & Cultural Skills website

# 06

## Feasibility of expansion of the CA Programme



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53



# Feasibility of expansion of the CA Programme

## Introduction

**6.0** In this section we consider how well the current model for Apprenticeships works for the industry and whether there are more suitable models. The case for higher level apprenticeships is also considered. Since our research started the Government has announced funding for some higher level apprenticeships.

## Apprenticeship model

**6.1** Findings in relation to the apprenticeship model and how it may act as a barrier to increasing the number of apprenticeships can be summarised as;

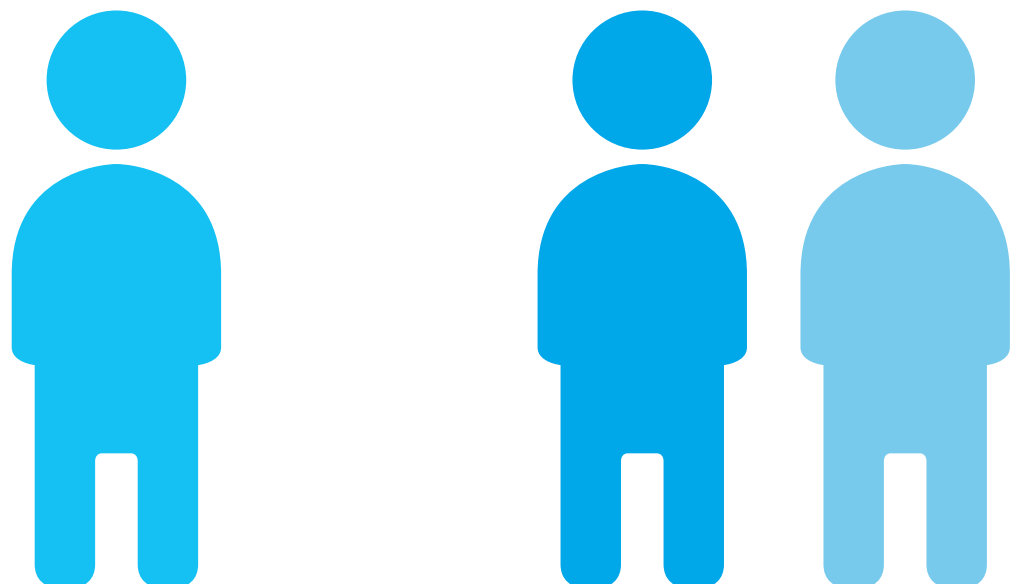
- A reluctance to take on apprentices under the age of 18
- Anticipated changes to the funding methodology will influence the number of places available; it may mean it will be harder to place adult (19+) apprentices as they will need to be co-funded, conversely funding for 16-18 year old apprentices is at higher levels
- The requirement for apprentices to be in employment does not sit well in a sector where many employees are self employed or very small employers

**6.2** Potential solutions to these barriers are discussed below.

## Reluctance to take on apprentices under the age of 18

**6.3** Within the industry, there is a reluctance to take on workers and apprentices under the age of 18. In some areas, such as technical theatre, health and safety is given as the reason. For example, apprentices would be required to erect rigging. In other areas, including front of house, there is a general concern about lack of maturity in dealing with members of the public and other professionals.

**6.4** Most providers quoted averages of CAs as circa 22 years, with very few in the 16-18 bracket.



## Feasibility of expansion of the CA Programme

**6.5** These comments from interviews and focus groups are borne out by the Creative and Cultural Skills own research<sup>11</sup> showing 2% of those employed in the sector being under age 20 compared to 4% for the economy as a whole. There is still a miss-match at age 30, with 10% in the sector aged under 30 compared to 14% for the economy as a whole.

This reluctance to take on young people persists even though an apprenticeship programme for a young person age 16-18 will be fully funded. This means that the employer is not expected to make a contribution to the cost of the course. The employer will need to pay the young person a salary at the apprentice rate of £2.50 per hour. However, our review did find that looking forward employers were more likely to be influenced by this beneficial funding, given the changes to funding available for adults, and would be more likely to consider under 18 year olds.

### **Funding available for adults (aged 19+)**

**6.6** For 2011/12 work based apprenticeships for adults will be co-funded. This means that the rate paid to the training provider by the Skills Funding Agency is based on an expectation that the employer will contribute 50% to the course costs, in addition to salary.

**6.7** It maybe that the provider does not collect the full 50% contribution from employers and cross-subsidises apprenticeship training from other provision. This approach was noted in the provider survey responses but will become harder to sustain as greater emphasis is placed on fee collection across all provision.

**6.8** Changes to funding eligibility are expected in 2013/14. It is likely that all level 3 and above provision, including apprenticeships, for those aged 24+ will be funded through loans.<sup>12</sup>

**6.9** It was felt that there might be a move towards 16-18 year old apprentices to take advantage of the higher levels of funding available.

### **Meeting the gap for 16-18 year olds**

**6.10** As noted above, it is hard for 16-18 year olds to find an apprenticeship placement in the creative and cultural sector. This leads to an apparent gap in vocational provision for those in this age group wanting to work in the sector. Ways in which this gap might be narrowed are discussed below.

### **Programme led apprenticeships**

**6.11** The Apprenticeships, Skills, Children and Learning Act introduced new requirements for apprenticeships, including making it mandatory that all apprentices are employed, under a formal contract of employment (with certain very limited exceptions). There had previously been programme led apprenticeships (PLA) ie employment was not required. These may have been a route for 16-18 year olds where employment opportunities were not available.<sup>13</sup>

<sup>11</sup> Creative & Cultural Skills. 2011. Creative and Cultural Industries Impact and Footprint 2010/2011. Creative & Cultural Skills

<sup>12</sup> Skills Funding Agency Learner Eligibility and Contribution Rules 2011/12, May 2011

<sup>13</sup> Guidance Note 7 – published 11 April 2011 Skills Funding Agency – P- 110031



### Pre-apprenticeships

**6.12** In May 2011, the Government announced a new pathway within the apprenticeship programme with the intention of widening access for young people with the potential to benefit from an Apprenticeship, as part of a range of measure to support young unemployed people. 10,000 places will be available from August 2011.<sup>14</sup>

**6.13** To be eligible for the programme young people must be defined as NEET for the whole of the preceding 13 weeks or more prior to start date and/or be eligible for additional learning support.

**6.14** There may be some scope for young people in the sector to access training and work experience through this route.

### Level 3 Young apprentice programme type offering

**6.15** In our report Assessing the Return on Investment, Evaluation and Impact of Young Apprenticeships Programme<sup>15</sup> we addressed the possibility of a level 3 programme for age 16-18 similar to the level 2 programme for 14-16. On further discussion in interviews with provider and employers for this report those proposals found much support.

**6.16** key elements proposed for a Level 3 YAP to be successful were:

- Name should not include 'apprentice/apprenticeship' – otherwise would be confused with work-based learning
- The programme framework underpinning the L2 YAP could not be simply extended to L3 with new content – it would need to be completely re-thought
- Funding would need to be at an appropriate level and fit within funding methodology (funding cap)
- An enthusiastic and committed Awarding Body in place
- Appropriate UCAS points
- An award (not a programme) which brings together elements across a programme of study without being too prescriptive (Participants felt that the structure of the Diploma (with its three component parts of Principle Learning, Generic Learning and Applied and Specialist might offer an attractive model)

### Partnership models

**6.17** In some areas partnerships/consortia have been formed with the Skills Academy Founder College drawing down the funding and passing on to other members. This is a common way of collaborating in the education sector but for it to work all parties need to follow clear protocols, including:

- Full transparency of arrangements in terms of funding drawn down, retention for administration and funding passed to other providers
- Full communication on developments and how the project is progressing
- Right of recovery of funds for the Founder College or other body drawing down the funding should learners later prove to be ineligible for funding
- Memorandum of understanding between the parties
- Clear requirements on data flows and information recording to ensure that all funding agency requirements are met

**6.18** Some concerns about lack of transparency were expressed.

<sup>14</sup> [www.apprenticeships.org.uk/partners/policy](http://www.apprenticeships.org.uk/partners/policy)

<sup>15</sup> Clifford, J, Mann A, Mason S, Theobald C (2011) Assessing the Return on Investment, Evaluation and Impact of Young Apprenticeships Programme. London CC skills SSC and Baker Tilly

## Feasibility of expansion of the CA Programme

**6.19** Other providers have been able to draw down funding under a direct contract. However, with the introduction of minimum contract levels (from August 2011 the Skills Funding Agency will only enter into contracts over £500,000)<sup>16</sup> those organisations are likely to need to enter into partnership arrangements to be able to continue to draw down funding.

### Progression

**6.20** There is evidence of CAs progressing to:

- Employment with the employer where they undertook their apprenticeship
- Employer elsewhere within the creative and cultural industries
- Other employment
- Further study

**6.21** The survey population was too small to draw statistical solutions. However, useful comments are provided supporting focus group and interview discussions. Reasons given for preferring a CA to other candidates for posts included:

- Better practical experience
- At this stage just as casual staffing, they had both practical and desk based learning; had followed a structure
- Experience of reflection on learning, and therefore more able to be creative
- Because they have a passion for their work and it is not all about money for them either.

### Higher level Apprenticeships

**6.22** The CA is currently delivered at levels 2 (intermediate) and 3 (advanced).

**6.23** There is a wide range of higher level provision, delivered at universities or training providers. This higher level provision (higher education) does not include the work placement and work experience of the CA.

**6.24** It was generally agreed in focus groups and interviews that there was scope for higher level apprenticeships.

**6.25** An employer/provider noted that one of their in-house apprentices (ie employed by the provider) had progressed through levels 2 and 3 and was ready for level 4, with useful skills still to acquire. Currently, one option being considered was a different level 3 pathway which would give the apprentice a useful skills mix. The funding available for multiple apprenticeships would need to be investigated.

**6.26** Where a level 4 Apprenticeship is not available it is likely that a proportion of apprentices will progress to other higher education options, probably at university. It was suggested in interviews that this might be 25%.

**6.27** The changes in funding for higher education and for apprenticeships for those aged 24+ to secure a greater proportion of funding through loans will change learner behaviours in a way yet to be seen. It is anticipated that there will be greater interest in Apprenticeship routes

<sup>16</sup> Guidance Note 7 – published 11 April 2011 Skills Funding Agency – P- 110031

**6.28** Any development to foundation degree level would be likely to be in conjunction with universities.

**6.29** The issue was raised as to whether a level 4 apprentice could be paid at the apprentice rate.

**Flexibility needed**

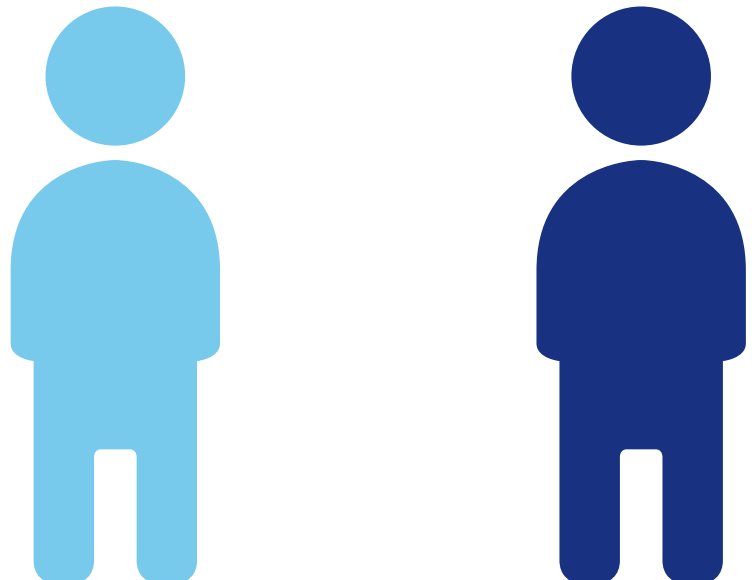
**6.30** There was a call for flexibility from all quarters. We were frequently told that the industry comprised many small employers and freelance individuals. This is borne out by Creative & Cultural Skills own research showing 25% freelance work and 45% self employed work. It was believed that small employers did not have the capacity to take on Apprentices as full time employees. It was also noted that individuals might work freelance on top of their Apprenticeship.

**6.31** Flexibility was proposed in a number of ways:

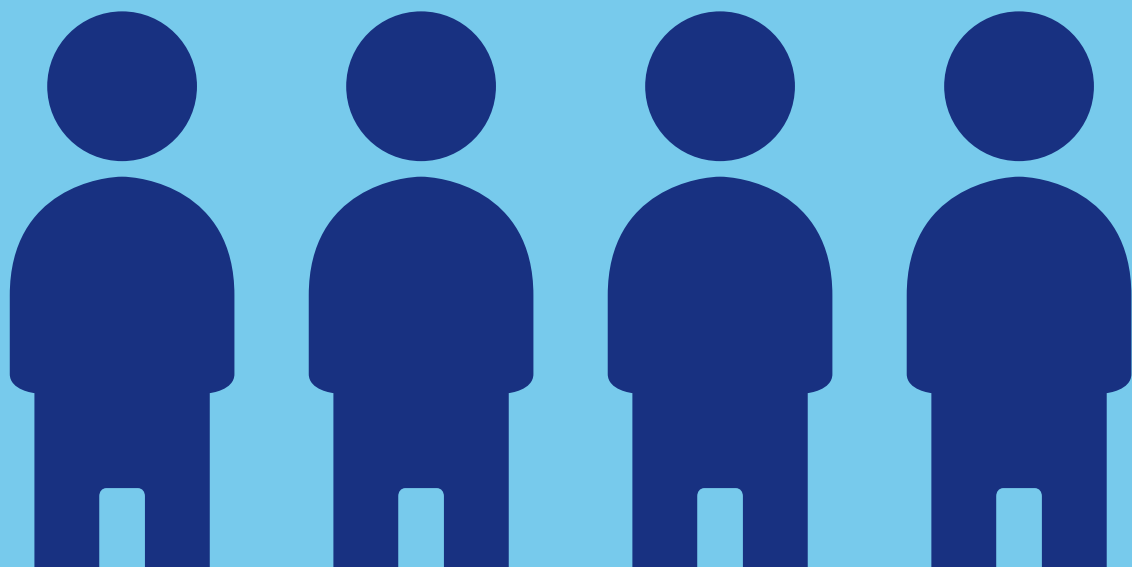
- Apprentices to be able to undertake core provision with modules from different CAs to give the mix of skills needed in a small organisation
- Apprentices to be able to undertake different modules with different employers, in a carousel model across a number of organisations recognising that this is how the sector works. Employment would need to be with an agency or self employed.
- Model with elements of accreditation of prior learning

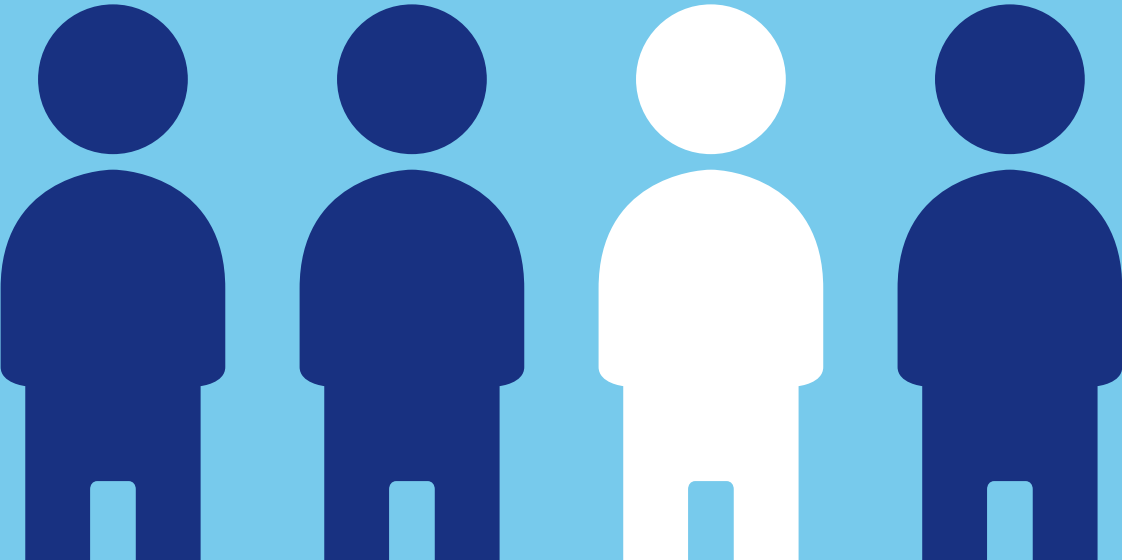
**6.32** The overall number of apprentices in the sector is small and, in order to give viable numbers at higher levels, organisations would need to work in partnership.

**6.33** It was proposed that flexibility at point of delivery was needed with a core curriculum and then additional extended work at each level. Accreditation would then reflect the previous experience and the level that the individual was working at. Funding would need to be attached to the framework obtained.



# Appendices





## Appendix A Detailed evaluation calculations

### Detailed evaluation models Productivity uplift achieved

1. The table below shows the detailed evaluation model used in this analysis:

Productivity gain	Assumption	Calculation	Evaluated gains (£)
Number of Creative Apps (p.a.)	210		
Proportion that achieve a gain	90%	189	
Proportion entering the workforce after CA	85%	161	
Proportion entering the workforce after further study	15%	28	
Years delay before workforce entry – after CA	-		
Years delay before workforce entry – after further study	3		
Average productivity (£)	30,000		
Productivity uplift due to Creative App – post CA	7.5%		
Productivity uplift due to Creative App post further qualification	7.5%		
Therefore annual gain – post CA		361,463	
Therefore annual gain – post further study		63,788	
Duration of gain (years)	10		
Discount factor	3.5%		
Annuity factor – post CA		8.317	3,006,141
Annuity factor – post further study (includes delayed entry)		7.501	478,477
<b>Therefore total gain</b>			<b>3,484,617</b>
Deadweight	5%		(174,231)
Alternative attribution	25%		(871,154)
<b>Total gain due to CCSkills</b>			<b>2,439,232</b>

## 2. The rationales for inputs and assumptions used are discussed below:

- Number of CAs: this equates to the number of CAs that completed the course in the latest cohort, per Creative & Cultural Skills data.
- Assumed proportion that achieve a gain: Given that only 2.3% of employers reported that Apprentices made little or no contribution and the majority reported that CAs were better prepared for the workplace, Creative & Cultural Skills believe it prudent to assume that 10% of CAs do not achieve a gain upon entry to the workforce.
- Assumed destinations of CAs: Our survey of employers found that 100% of CAs continued in employment post-completion. Creative & Cultural Skills believe it to be prudent to assume that 15% may continue on a course of Higher Education (being the traditionally preferred entry route to the sector). Feedback from focused interviews with employers suggests that some CAs do progress on to further study post-completion. Progression on to further study results in a delay to the gain achieved in the model, which reduces the present value of the productivity gain achieved.
- Delay before entry to workforce: depending on the destination of learners, there would be a delay before any productivity uplift is realised. For immediate entry post completion of the CA there is no delay, rising to three years to complete a course of Higher Education. This delay is taken into account for the purposes of discounted cash flow methodology used in this model (see Appendix B).
- Initial productivity uplift: In order to ensure a prudent evaluation is produced that does not over claim benefits, Creative & Cultural Skills have used relatively low assumptions for productivity uplifts of 7.5% for a period of ten years. Creative & Cultural Skills have assumed that another learner would catch up to a similar level of effectiveness as the YA within ten years. This contrasts with the findings of the recent report from BIS<sup>17</sup> that an Apprentice may expect to achieve a lifetime wage premium of up to 18% due to a qualification at this level. In light of that finding, the assumed uplift of 7.5% appears to be prudent.
- Approach to discounted cash flow modelling: a detailed description of discounted cash flow modelling is shown at Appendix B. The approach taken in this model consists of the use of an annuity factor (the factor by which a constant cash flow is multiplied to derive its present value over a specified period). The annuity factor is then multiplied by a discount factor to reflect the extent of delay before the cash flows in question will arise (based on the delay associated with the destinations of the learners in question).
- Deductions for deadweight and alternative attribution: the rationale for each of these is discussed earlier in this report (§4.44 to 4.49).

<sup>17</sup> Beaven, R., May-Gillings, M., Wilson, R., Bosworth, D. (2011) Measuring the Economic Impact of Further Education, London, Department for Business Innovation and Skills

## Appendix A Detailed evaluation calculations

3. In the context of the wage premia found by BIS' study in March 2011, it is felt reasonable to conclude that the above analysis provides a prudent reflection of the economic benefits of the CA in the creative and cultural industries.

### Reduction in induction costs

Induction training saving	Assumption	Calculation	Evaluated gains (£)
Number of creative apprentices that achieve a gain	189		
Drop-off rate for existing employees taking CA	-50%	95	
Induction training spend	750		
Reduction in training spend due to enhanced relevance	50%		
<b>Therefore reduction in induction training spend</b>			<b>35,438</b>
Deadweight	5%		(1,772)
Alternative attribution	25%		(8,859)
<b>Total gain due to CCSkills</b>			<b>24,806</b>

4. The rationales for inputs and assumptions used are discussed below:

- Number of CAs that achieve a gain: this is based on the calculation described above for productivity gains, less a deduction for 50% to reflect the likelihood that some CAs were already in employment and using the course for professional development.
- Induction training spend. Creative & Cultural Skills advise that the average training spend per capita across all industries is c£1,500. This has been reduced by 50% for prudence, to reflect the likelihood that induction accounts for only part of an annual training spend for a new employee and that training in this sector tends to be based on skills needs rather than a rolling training programme. Creative & Cultural Skills believe that this assumption is prudent.
- The rationales for deductions for deadweight and alternative attribution are discussed earlier in this report (§4.44 to 4.49).

### Reduction in recruitment costs

Recruitment cost saved	Assumption	Calculation	Evaluated gains (£)
Number of creative apprentices that achieve a gain	189		
Proportion of Apprentices that remain with their employer	57%	108	
Recruitment cost per Employee in this sector	1500		
<b>Therefore saving to employers</b>			<b>161,595</b>
Proportion of Apprentices that move on to other employers	11%	21	
Saving achieved in recruitment cost due to reduced HR/vetting process at application stage	30%	450	
<b>Therefore saving to employers</b>			<b>9,356</b>
<b>Total saving to employers</b>			<b>170,951</b>
Deadweight	25%		(42,738)
Alternative attribution	25%		(42,738)
<b>Total saving due to Creative and Cultural Skills</b>			<b>85,475</b>



5. The rationales for inputs and assumptions used are discussed below:

- Number of CAs that achieve a gain: this is as per the analysis shown earlier in this Appendix under productivity gains
- Proportion of CAs that remain with their training employer: this is derived from the employers' survey
- Recruitment cost per employee: this is assumed to be c£1,500 based on Creative & Cultural Skills' view that a relatively low value would be prudent. From our experience of similar studies at other SSCs, this level of cost is broadly consistent with the lower end of the range we would expect to see for sub-management level staff
- Proportion of CAs that move to other employers in the sector: this is derived from the employers' survey
- Saving achieved due to reduced HR and vetting process: for jobs that were filled by a CA, it is assumed that the level of competency assessment time required during the interview process would be reduced as employers may be better able to rely on the consistency and quality of delivery on the CA. It is assumed that this reduced time spent on vetting applications during short-listing and reduces time spent during interviews on basic competency assessment. It is assumed that a saving of c30% would be achievable. This is considered as a sensitivity in section 4.
- Deduction for deadweight: for this model, a higher deduction of 25% has been used. This is intended to factor in the 'risk' that some employers would not amend or curtail their recruitment process due to the CA's experience and skills compared to other applicants. It also reflects the possibility that a CA was taken on as a long-term appointment (i.e. it was always the intention that they would become a full time employee post-completion, hence there is no saving due to avoiding a recruitment process). This deduction, in conjunction with the 15% deduction for CAs that achieve no gain (see the productivity model) and the exclusion of the 32% that left the sector, is felt to take sufficient account of the risk that for some CAs, no gain would be achieved.
- Deduction for alternative attribution: the rationale for the deduction for alternative attribution of 25% is discussed earlier in this report (§4.44 to 4.49).

### **Displacement**

For the purposes of this evaluation, the incremental cost of delivering an Apprenticeship compared to another course of study has been estimated at £500 per learner.

We note that the cost to the employer of the training is likely to be countered by a learner's productivity in the business (employers responded to the survey that 79% of Apprentices made a significant contribution to their business). Hence, this deduction is intended to reflect incremental costs of provision to the State. Unlike Apprenticeships in other sectors, a deduction for displacement is required for the CA, as it did not exist prior to the intervention of Creative & Cultural Skills (i.e. the incremental cost of provision arose due to their intervention).

For the most recent cohort of 210 learners, this equates to a total displacement cost of £105k.

## Appendix B Discounted Cash Flow methodology

Our analysis takes into account, where necessary, the premise that the value of money changes over time. The value of future cash flows is subject to the risk that those cash flows will not in fact occur for any number of reasons.

For the purposes of this report, the use of prudent assumptions is felt to be reflective of any risks associated with the likelihood of benefits actually flowing to the stakeholder concerned. This leaves the risk that the value of the benefit will fluctuate due to economic factors that are beyond the control of the organisation or stakeholder. This can be measured using a long term average rate of inflation. Where necessary a discount rate of 3.5% has been used, which equates to the average rate of inflation in the UK measured over the past twenty years, per the Bank of England. It is also consistent with the discount rate typically used by the UK Government for project appraisal (for projects lasting for between 0 and 30 years)<sup>18</sup>.

For benefits only during the year in which they are funded no discounting is used as both the funding and the benefit are released during the year and the timings are therefore already matched.

Where a benefit occurs in a future year, the value of the benefit is multiplied by a discount factor to allow comparison with the cost of funding. The discount factor is calculated using the formula below:

$$DF = \left( \frac{1}{1+r} \right)^t$$

Where:

- 'DF' is the discount factor by which a future benefit is multiplied to restate it in current terms
- 'r' is the discount rate used
- 't' is the time, stated in years, between the date at which value is measured and the date at which the benefit is achieved

To measure benefits that occur at a fixed value over a period of time, Creative & Cultural Skills was asked to assume that any future benefits occur in the form of a constant annuity over a fixed period. The expected annual cash flow is then multiplied by an annuity factor to give the value in present day terms of the benefit. The annuity factor is calculated using a modified discount formula, as shown below:

$$AF = \left( \frac{1}{r} \right) \times \left[ 1 - \left( \frac{1}{1+r} \right)^t \right]$$

Where:

- 'AF' is the factor by which a constant annuity is multiplied in order to obtain the present value of that annuity over a given period of time;
- 'r' is the discount rate used; and
- 't' is the number of years the annuity is expected to occur over.

Where an annuity is to be deferred for a number of years (e.g. a project is being developed now but the savings will not be realised for several years), an annuity factor is used to calculate the present value of the incremental benefits in the future which is then multiplied by a discount factor to restate it in present day terms.

<sup>18</sup> Lowe, J., 2008, Intergenerational wealth transfers and social discounting: Supplementary Green Book guidance, London, HM Treasury

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