



The Electrotechnical
Skills Partnership

The Electrotechnical Skills Partnership Labour Market Intelligence Research



**IMPORTANT
ADDENDUM**

Pye Tait Consulting

June 2019

Pye Tait Consulting

Royal House, 110
Station Parade,
Harrogate
HG1 1EP
01423 509 433
info@pyetait.com
www.pyetait.com



Cert No: QEC19593371/0/Q

An **addendum** to the 2019 report prepared by:

Pye Tait Consulting

Registered in England, Company No: 04001365, VAT No: 755 8312 14
Registered office: Royal House, 110 Station Parade, Harrogate, North Yorkshire, HG1 1EP
Tel: 01423 509 433

email (enquiries related to this report): n.charleton@pyetait.com

email (general enquiries): info@pyetait.com

website: www.pyetait.com

Copyright: © Pye Tait, 2019; All Rights Reserved.

Revised Return on Investment

The full report on the most recent research into Labour Market Intelligence for the electrotechnical sector was published in April 2019. The report contains a great deal of information on the workforce, skills, training, etc. which remains current and extremely valuable.

TESP has, however, been continuing to work on one novel element of the research which developed a means of measuring the return on investment (RoI) with respect to apprentices. This has been a major concern for the sector for many years and one which has, to date, resisted reliable measurement.

During the original research a model was developed by Pye Tait Consulting which is described in the extant report. It was always intended as a trial model and used estimates and assumptions which were created to test the model. The result was an initial estimate of the returns from employing an apprentice based on three different levels of charge-out rate.

Since publication the opportunity has arisen, in conjunction with Pye Tait Consulting, to undertake further research and work on the RoI model and it has now been refined to create an even more up-to-date and realistic representation of the expected returns from the employment of apprentices.

There have been two main centres of additional cross-checking and enquiry:

1. Confirmation of charge-out rates; and,
2. The assumptions inherent in the model.

Charge out rates

In order to be sure that reliable results are obtained from the model we confirmed again with employers that the low “qualified charge out rate” of £30/hr for small companies and that the higher rates are largely in line with what sector companies feel companies might charge on average. Further research with employers confirmed the average rates used in the model – for “low”, “medium” and “high” charge-out rates were realistic

Assumptions

Our further discussions with employers revealed one assumption which they felt is not justified. In the original model an assumption was made that travel and equipment costs should be added to apprentice costs. In the initial discussions with employers these costs were identified as part of the costs of employing an apprentice and we therefore included them in the model. However, while these costs are undoubtedly real, there is an argument that a company would have to pay these costs for all staff and not only for apprentices. In the event that a company requires an additional member of staff, the employer has a choice between recruiting one or more apprentices and taking on either an unqualified worker or an already qualified electrician. Should they elect to employ someone other than an apprentice, travel and equipment would still have to be paid.

We have, therefore, omitted the travel and equipment costs from the revised apprentice RoI model, and have focused on direct apprentice costs in terms of wages and support from other staff, plus the costs of supporting the apprentice with mentoring and supervision.

Annual Net cost/benefit of apprentice

£	Yr1	Yr2	Yr3	Yr4	Four years
Low charge out	-9631.68	-1152.96	8688.96	13491.84	11396.16
Medium charge out	-6103.68	3971.04	15156.96	21051.84	34076.16
High charge out	-2575.68	9095.04	21624.96	28611.84	56756.16

The outcome, as demonstrated in the table above, is that – after Year 1 (and part of year 2 at low charge out rates), the employment of an apprentice can be shown to result in a cumulative net positive return at every charge out rate. A company charging out their qualified staff at £30 per hour will make a net gain of over £11,000 over the four years of the apprenticeship after all wages and support costs have been deducted. The returns at higher charge-out rates are even more impressive.