



# Young, gifted & jobless

Graduate internships help to address youth unemployment, offer work experience and bring cost-effective skills to small businesses. Why then is the Government scrapping the Graduate Internship Scheme? *First Voice* speaks to three FSB members who used it

**L**ast year, graduate unemployment soared to its highest level since the mid-90s as one in five UK university leavers entering the labour market failed to find a job.

Unemployment figures for the last quarter of 2010 showed that almost one million 16- to 24-year-olds were out of work and that graduate unemployment reached its highest level since 1995, according to the Office for National Statistics. The figures also showed graduate unemployment had nearly doubled during the recession, rising faster – from 10.6 per cent to 20 per cent – than unemployment for the UK as a whole (5.2 per cent to a high of 7.9 per cent).

One initiative that offered an intelligent, cost-effective solution to the graduate employment gap, provided on-the-job work experience and brought fresh talent to UK businesses was the Graduate Internship Scheme. Between February 2010 and March 2011, this scheme supported paid internships in small businesses for 8,500 graduates at virtually no cost to the employer. Sadly, in March this year, the scheme drew to a close and no replacement was announced.

With graduate unemployment at its highest since 1992, the Federation of Small Businesses is urging the Government to extend the scheme. In its new paper 'FSB Plea to Save the Graduate Intern Scheme', the FSB

details how, through investment to extend the scheme, at least 5,000 new internship placements can be made at a cost to the Government of £8 million – instantly reducing benefit payments by at least £1.5 million.

"The benefits of the scheme far outweigh the costs," says FSB Head of Policy Andrew Cave. "We estimate that the Treasury would save £5 million in terms of welfare benefits that it doesn't have to pay out to the graduates who are in those jobs, but also when graduates take on full-time jobs afterwards, as a consequence of the internship, they start paying into the Treasury."

With youth unemployment currently on the rise, the FSB affirms that





## DID YOU KNOW

One in three entry-level jobs are being taken by graduates who have already worked for the company on placements or work experience

recruitment in crucial.

"The current graduate internship scheme has proved highly successful, with some interns going on to start their own companies and others being offered full-time positions with the business they interned for," says FSB National Chairman John Walker.

"The UK's young people are the future of the economy, yet we are seeing youth unemployment approaching one million," he says. "It is time that the Government invested into this vital sector so that we don't see a generation of our youngsters consigned to the dole queue."

Several FSB members participated in the Graduate Internship Scheme and had very positive experiences. We asked three member firms from different sectors about their experiences and whether they would like to see the scheme continue. The response was unanimous.

### At a glance benefits of internships

- ✓ Grow your business
- ✓ Improve operating efficiency
- ✓ Increase profitability and competitiveness
- ✓ Improve existing products and services
- ✓ Create new products or services
- ✓ Gaining useful skills
- ✓ Bring fresh ideas to support growth and development

### 1 A FRESH PAIR OF EYES FOR SCHOOL YEARBOOK PUBLISHER IN GLOUCESTERSHIRE

We're a two-person business in rural Gloucestershire that has been running since 2002 producing yearbooks for schools. Our services are quite high value and very seasonal so we took on a graduate intern in the autumn, which worked very well for us.

We've discovered that kids don't know how to run projects and the teachers often don't know how to help them, so we have developed a whole new methodology that encourages

**"We estimate the scheme would save the Treasury £5 million in benefits"**

creativity and intelligent use of IT to enable the kids to design the yearbook. We then compile, print and bind the books for them.

We were first approached by the University of the West of England about the scheme but also heard about it through the FSB.

We ended up taking on Annie Howells, who was studying Education and Psychology and turned out to be superb. It was quite easy to set up and all the administration was handled by the university. We had to pay some of her wages – not a huge amount at all – and the university and scheme covered the rest. I would thoroughly recommend it to other people, particularly micro businesses.

It is a real pity that the scheme is coming to an end given that so many graduates are unemployed. It seems like a pretty good way for them to gain exposure to potential career avenues and some workplace experience. If I had the option, I would definitely use the scheme again. It's such a useful thing for a small business and I don't just mean in terms of saving money.



It's about getting another person's input – a fresh pair of eyes and new ideas. Also, we work largely from a small home office and employing somebody new is something you have to think carefully about. Having an intern can give you the feel of what it might be like having someone there. It isn't an easy decision for a small business, particularly a family business, to take on their first employee. This is one of the steps that can be really useful in helping you to decide, without committing yourself to too much.

Anne King, Director, DPI Ltd

### 2 FROM INTERN TO STAR EMPLOYEE AT A SOUTH WALES CONSULTANCY

One of our newest consultants, Robert Gutrai, initially spent eight weeks with us as a graduate intern last year. He went back to the University of Plymouth to complete his MSc in Environmental Consultancy and joined us on a permanent basis in November 2010.

We specialise in compliance consultancy and training for quality, health and safety, and environmental management. Robert's MSc required him to have an eight-week work placement and because we'd done some environmental consultancy for the university, he really wanted to join us. At the time, we thought we were doing it to help out the university

more than anything else, but he did a really good job and turned out to be a brilliant fit.

The scheme was arranged through the University of Plymouth and there was basically no cost, apart from our time and National Insurance Contributions. The value of the work he did which he was with us would probably equate to between £3,000 and £4,000 – a significant saving. We found that it was a really good, low-risk way to find somebody and try them out, even though we weren't even looking to recruit at the time. By the time we were looking to recruit, we'd already seen that he was capable, confident, professional and presentable in front of clients and able to do research. That's a huge advantage over the traditional recruitment route and has worked out really well for us.

If the time was right, we would absolutely do it again. As a small company, there is a limit on how often you can bring people in by virtue of the fact that if you want to do it right, you need to have other members of the team available to supervise and support them and give them the right kind of guidance. When we've had work experience interns in the past, they generally go on to make the best workers, because they have the 'get up and go' to organise an internship in the first place to further their career and not necessarily earn a fortune

### Internship schemes in my area

The Graduate Internship Scheme operated across England, but what equivalent schemes are available to employers elsewhere in the UK?

#### NORTHERN IRELAND

In Northern Ireland, there is currently no provision for such a scheme due to a lack of funding. The FSB has been lobbying the Northern Ireland Assembly to get a replacement scheme introduced as soon as possible.

#### SCOTLAND

Between 2010-12, the Talent Scotland Graduate Placement Programme, launched last year, is estimated to provide placements for some 800 graduates. Visit: [www.talentscotland.com](http://www.talentscotland.com)

#### WALES

The Go Wales scheme has been successfully matching graduates with small business across the nation for some time now. Between 2009 and 2011, it will oversee 4,000 placements. Visit: [www.gowales.co.uk](http://www.gowales.co.uk)

### 3 DASHING WEBSITE DESIGNS FOR A LUXURY GOODS RETAILER IN LONDON

We launched in October 2010 in the UK and have two full-time employees and usually have one or two interns too. I saw an FSB email about the scheme with a list of participating universities.

We retail luxury goods that are made in Britain via our website and were looking for a graphic designer for the website, so Ravensbourne, an art college, caught my eye. We'd already hired two professional graphic designers but we really weren't happy with what they did so we thought it would be quite interesting to give a graduate a go.

Inky Hsieh joined us in September last year for six weeks. Being a small business, we're able to give graduates an opportunity to work at a level that they wouldn't get in a normal working environment. As a result, they are actually properly involved – not just making tea or doing the photocopying. Inky was great we were really pleased with his work.

The value of work he did during six weeks is quite staggering: if I went and got a cheap graphic designer you're looking at about £6,000 for six weeks. And he's now got valuable experience, a much bigger portfolio and, I believe, a full-time job on the back of it.

Not only did the college pay a living wage to the intern, they also removed the burden of us having to adhere to complicated employment law, which is a minefield for small businesses. The only thing we had to get in was employers insurance and pay the National Insurance Contributions. All the other stuff is all taken care of.

A lot of people assume we are just using interns to save money. But actually, it's the fact that you get someone who really, really wants to work in exactly the area that you're operating in. That is far more important than the money saved.

Jim Watson, co-founder, Appleby Parva

### Response from John Walker, National Chairman

While the Government did not extend the Graduate Internship Scheme in the Budget as we hoped, it has found an additional £180 million to fund 50,000 extra apprenticeship places. Of this, at least 10,000 will be for higher apprenticeship schemes which will be open to graduates.