

**Enterprise and Business Scrutiny Committee**  
**13 July 2011**

**EBC(4)-01-11 Paper 1**

**Evidence from Minister for Education and Skills and Deputy Minister for Skills**

**1. INTRODUCTION**

In the First Minister's introduction to Welsh Labour's manifesto, he stated: "At the heart of our work, Welsh Labour will fight for jobs and we will campaign for recovery."

The focus on jobs and skills is highlighted throughout that document, which has received a strong mandate from the Welsh public. Our commitment to this agenda is underlined by the fact that the Welsh Jobs Fund was our first, and most important, pledge in the Assembly election manifesto.

Our objectives for the Department for Education and Skills (DfES) reflect what we said in that manifesto, and they are:

- to raise the standards of education and skills provision, attainment and infrastructure across Wales so that everyone can reach their potential;
- to deliver a suitably skilled workforce with high quality opportunities for all learners;
- to support individuals, families, communities and businesses in improving economic and social wellbeing and reducing inequality through education; and
- to see the Welsh Language thriving in Wales.

Skills are vital for economic growth and social justice. Skilled workers help firms to take advantage of technological innovations and new ways of working, and skills also determine individual life chances: better-qualified people are more likely to be in work and have greater earning potential. The Welsh Government's work programme identifies skills as central to making Wales a highly attractive place to live, invest, employ and grow.

This paper highlights the major delivery priorities and developments which will progress these objectives, with information provided which updates and responds to issues raised in the Enterprise and Learning Committee Legacy Report of March 2011.

**2. HELPING PEOPLE GET INTO WORK**

The Welsh Government has articulated our disappointment at the proposals contained within the UK Coalition's Welfare Reform Agenda. Over recent months I have been in regular dialogue with Secretary of State for the Department of Work and Pensions, and his Ministerial team, to argue for a more progressive approach to dealing with those most likely to be

disadvantaged. I was particularly disappointed to learn of the UK Coalition Government's decision to scrap the Future Jobs Fund, a programme that partners from all over Wales have supported.

Despite these challenges there is consensus on the need to help young people acquire the skills they need for sustainable employment. The Welsh Government is committed to tackling youth unemployment and is taking forward the Youth Engagement and Employment Action Plan. We are considering proposals for the delivery of a new programme to deliver on the Welsh Jobs Fund manifesto pledge which would create job opportunities for 16-24yr olds. Proposals are currently being developed for implementation, with a view to commencing full delivery early in 2012.

This summer we will introduce a successor initiative to the Skill Build programme, which has delivered basic and introductory training for all ages. In future 16-17 year olds will benefit from 'Traineeships' which will offer enhanced support for young people facing the most severe barriers to employment. For adults, the Steps-to-Employment programme maintains a focus on employability and will extend the good practice identified through local employer partnerships.

The Steps-to-Employment programme will not only support those furthest away from the Labour market to seek the opportunities they deserve, but also provide support to overcome their specific barriers.

We have allocated contract volumes for this programme above the historic level of funding.

More broadly, and despite our concerns being voiced, the UK-wide Welfare Reforms have major implications for our efforts to tackle worklessness in Wales. Incentives and packages of support for the recruitment of individuals on benefits are often confusing and can be difficult to navigate. The Joint Employment Delivery Board will bring forward proposals later this year to develop the necessary cross-agency relationships and protocols to deliver coordinated support for businesses

By continuing delivery of the ReAct programme we will continue to provide support for those facing redundancy. ReAct II, introduced from 1<sup>st</sup> April 2011 increases the maximum wage subsidy to employers from £2,080 to £3,000 per person in the first year of employment to encourage employers to employ a redundant worker. A training grant of up to £1000 per person helps ensure they have the skills to remain in employment. ReAct II sees a change of programme emphasis, from training aimed at updating the skills of redundant workers to an enhanced support structure to encourage employers to recruit a redundant worker.

In view of the anticipated sharp rise in demand for the Redundancy Action Programme (ReAct) resulting from public sector job losses, £5 million of funding has been allocated from the Transition Fund in 2011-12 for a new programme called Adapt. This programme is based on ReAct and was

announced in January 2011 to help the public sector address workforce challenges.

### **3. SUPPORTING BUSINESS GROWTH**

We aim to support growth and jobs across the Welsh economy.

#### 3a. Anchor Companies and Employers

Programmes such as ProAct and its successor Skills Growth Wales have been instrumental in helping support businesses through the recession and into recovery. Our decision to reintroduce ProAct in response to the needs of manufacturing businesses impacted by the Japanese Tsunami is evidence of how we continue to be flexible and responsive to changing events, working with business to secure strategic operations and retain jobs in Wales. The scheme will be re-opened for a period of three months and made available to manufacturing companies based in the convergence area of Wales which have been forced to implement or consider introducing short time working arrangements.

The Workforce Development Programme (WfDP) will continue as a principal gateway through which businesses can access solutions to enhance the skills of their workforce. The WfDP approach is based on a commitment to listening to employers to understand their needs and then working with them to provide an appropriate package of support. Flexible selective and discretionary funding continues to be an important means by which we can provide a rapid response to address employer needs. No formal banding or grading of support is prescribed as support is geared to meeting the specific needs of each business. Currently, discretionary budgets are targeted for (i) Anchor Companies; (ii) Regionally Important Businesses; (iii) Businesses in Priority Sectors; and (iv) growth businesses linked to job creation. Depending on need, the support available to employers is summarised in Annex 1. All employers in Wales, including third sector organisations, are able to access support through the Workforce Development Programme.

We will however, continue a focus on developing our indigenous SME base. We will continue with programmes specifically designed to allow SMEs to source relevant apprenticeships through our Shared Apprenticeship Scheme. We are also working with colleagues from Department of BETS to investigate how we can better align our respective programmes specifically to support micro-businesses to take on employees for the first time.

#### 3b. Apprenticeships

While we are committed to retaining an all-age Apprenticeship programme, increasingly the emphasis will be on creating opportunities for under-25s. This was an important manifesto commitment. A key development this year will be the roll-out of the Apprenticeship Matching Service. This web based service will enable potential apprentices to register, search for vacancies and apply

for apprenticeships. Employers will be able to register their companies, link to local training providers and post apprenticeship vacancies.

We are also continuing our Young Recruits Programme (YRP) initiative, which offers a wage subsidy to employers taking on a 16-24 year old apprentice. One thousand places will be available this year and this level of activity has been factored into contract allocations.

Pathways to Apprenticeship (PtA) offer an intensive, college-based option for young people. We will continue our commitment to the Pathways to Apprenticeship programme as a strong route into an apprenticeship, with a special focus on youth engagement and employment. We will deliver approximately 2,000 PtA places in 2011-12 and have secured ESF funding support to continue the programme until 2014.

This year the PtA programme has been extended to ten sectors across Wales and employer demand has been identified regionally by the Sector Skills Councils. This will ensure that employers, in sectors that are important to the Welsh Economy will have access to skilled young people.

### 3c. Basic Skills in the Workplace

As part of a package of support accessible through the WfDP we will help employers tackle the costs and wasted potential arising from low levels of literacy and numeracy in the workforce through the Basic Skills Employer Pledge. This will be supported by European funds through the new Basic Skills in the Workplace projects operating across Wales from October 2010 to December 2014. The projects plan to support over 3600 employers and 30,000 employed individuals and incorporate the Rural IT Wales projects which aim to raise IT skills in rural micro businesses. This programme is fully funded by the Welsh Government with support from the European Social Fund. All businesses have the opportunity to access support through this programme. The programme is currently valued at £20m over 4 years.

### 3d. Sector Skills

DfES is working with the Department for Business, Enterprise, Technology and Science (BETS) to drive forward Welsh Government's sector strategies and respond to the needs of Anchor and Regionally Important Companies. These strategies are critical to our ambition to improve economic growth and raise skill levels in economically important businesses and sectors in Wales. Dedicated Senior Sector Skills Managers within DfES are focused to ensure effective cross-departmental working in relation to sector level development. Sector Panels have highlighted skills as a key focus and are now in the process of developing their strategies. We await the outcome of the review of sector support from the Minister for BETS and will provide an appropriate skills response.

In line with our commitment to Sustainable Development we will work with partners to ensure that training provision will be available to deliver the low-

carbon agenda in Wales.” In the case of the low carbon agenda/ growth in new renewable technologies, we have projects and programmes targeting energy conservation and renewable energy which are predominantly focused on those already in employment. Subsidised training is currently being provided as part of the Delivering Low Carbon Skills Project with the network of Sector Skills Councils. This directly supports the commitment to provide people with the skills and opportunities to take advantage of the growth in new renewable technologies and the employment that will come with the 'greener' society. Programmes are also being developed to enable industries to develop 'green skills'. This includes a specific Pathway through Further Education as part of the Pathways to Apprenticeship programme. We are actively working with the Green Business Skills Forum to deliver what industry needs.

### 3e. Trade Union Learning

The Wales Union Learning Fund (WULF) delivers projects to improve adult basic skills in Union supported workplaces. Our commitment is to continue to strengthen and build the Wales Union Learning Fund (WULF) to support the trades union efforts to encourage both employers and employees to participate in training. With nearly £11m invested by the Welsh Government since 1999, WULF has already supported 153 projects, created a network of over 100 union learning centres with over 1,300 union learning representatives that have provided more than 10,000 employees across Wales with access to learning. Earlier in the year a further £2.4m package of support for WULF projects was announced and will be funding projects designed to address basic skill needs. The annual budget for WULF is currently £1.5m and the potential to increase this through ESF is currently being scoped.

### 3f. Sectors Skills Councils

The UK Commission for Employment and Skills (UKCES) is refocusing the role of Sector Skills Councils (SSCs). Their revised remit includes a greater focus on raising employer 'ambition' – with SSCs becoming more employer-facing bodies, which bring together a coalition of willing employers in their sectors to lead change and encourage more employers to develop high performing work places and grow their investment in skills at all levels. The UKCES faces a 40 per cent funding reduction over the 3 year period of the Comprehensive Spending Review (2011/12 – 2014/15). This has implications for the SSC network who have hitherto received core funding through the UKCES.

We will continue to ensure the needs of Wales are fully reflected in UK Sector Skills Policy discussions. The Welsh Government is currently engaged in negotiations on a four nation basis to agree the core (Universal) services SSCs will be expected to deliver. To improve efficiency, quality and effectiveness, the UKCES will be moving from core funding of SSCs to open contestable funding from 2012 -13. SSCs and SSOs will be invited to bid for funding to provide: National Occupational Standards (development and

maintenance), Apprenticeship Framework Development, and, for 2012/13 only, Vocational Qualifications Development. They will also be invited to bid to produce 14 LMI reports but will be competing against non-SSC, interested parties for this element.

### 3g. Qualifications Reform

We are committed to ensuring that the Welsh Government funding of qualifications targets those that are high quality, credible and relevant. That means ensuring we support those qualifications which best meet the needs of learners for progression and the needs of the Welsh Economy. To take forward this agenda we will be undertaking a review of all qualifications for those in the 14-19 age group to ensure investment goes into the most valuable qualifications.

The Wolf Review of Vocational Qualifications (VQs) in England has stimulated a wider debate on the value of certain vocational qualifications and the means through which the employer-voice is best captured by those developing qualifications. We will consolidate credit-rated vocational qualifications to better meet the needs of learners, employers and higher education in Wales, whilst contributing to and increase in standards.

During the VQ Reform programme a small number of SSCs were criticised by education establishments in Wales for their lack of consultation in the decision making processes leading to the removal of old or development of new vocational qualifications.

As part of the reform of the UKCES and SSCs the intention is to reduce the SSC role in the Vocational Qualification development and approval process. This will mean that SSCs may lose some capacity to interact directly with education providers. Therefore, in Wales we will need to consider effective ways to maintain links between SSCs and education/training providers and to encourage sustainable links directly between employers and education/training providers. We believe SSCs should utilise existing networks and develop closer working relationships with the reformed Careers Service in Wales in order to maintain these links.

### 3h. Understanding skills needs

We are working to strengthen the labour market intelligence available to inform learner and employer choices for investment, provider planning, and policy development within and beyond government. Our understanding of skills supply and demand issues in Wales will be significantly strengthened next year through both the publication of results from the Employer Skills Survey (covering 6000 employers) and the creation of a Welsh Government Labour Market Intelligence Unit. While LMI has an important role to play in helping us plan effectively for the future, it is equally if not more important for us to invest in the effective communication and targeting of messages from this intelligence, so as to help create a more informed market (demand) for skills. As part of our LMI project this year we will be working on plans that will

enable individuals to more easily understand the connections between qualification choices, career pathways, the relevant real-time opportunities in the labour market, and longer term trends.

#### **4. SYSTEM REFORMS**

The skills system is complex and involves not only building a closer and more effective relationship with employers in areas such as workforce development and apprenticeships, but also ensuring that schools, colleges, training providers and universities are effectively equipping individuals with the skills, knowledge, attitudes and competencies required to make a full contribution.

##### 4a. Schools

It is important that our school system equips young people with the skills and knowledge they need for future study and the workplace. PISA tests the extent to which students near the end of their compulsory education have acquired those skills and are able to apply them. As part of the drive to raise attainment we will:

- Integrate internationally recognised assessments of transferrable skills for learning into school assessments at age 15.
- Increased engagement in science, technology, engineering and mathematics (STEM) across the curriculum and age range; and
- Ensure there are more centres offering the Welsh Baccalaureate Qualification for more learners at all levels 14-19 with increased opportunities to complete the qualification in all learning routes.

##### 4b. Contribution of Higher Education

Higher education (HE) institutions contribute to the Welsh economy in a number of ways. First, on the supply side where they provide highly-trained people to the labour market, and generate knowledge and technology spill-overs which can drive economic growth. Second, on the demand side as major employers, purchasers of goods and services, and recruiters of students that spend money in the local economy.

We know that higher level skills have a key role in helping Wales succeed in the Knowledge economy. Responding to changing demand, we are seeing Universities offering more part-time courses, and part-time professional qualification programmes, and promoting Foundation degrees linked directly to employer need. Approximately 3000 people have now benefitted from the Go Wales scheme which supports the retention of graduates within the Welsh economy through placements with employers. Under the guidance of HEFCW, Universities are also working to ensure that the content and balance of undergraduate delivery recognises opportunities in the labour market, such as for Science, Technology, Engineering and Mathematics, and other professional provision such as accountancy and business.

The results of the latest Higher Education - Business and Community Interaction Survey (HEBCIS 2009/10) show that Welsh universities generally

perform well in engaging with business and promoting knowledge exchange. Wales reaches beyond its nominal 5 per cent UK share in several areas, including the number of active staff spin-out or graduate start-up companies and collaborative public/private sector-funded research. However, we perform less well in contract research and revenue from Intellectual Property.

Historically, we have had a serious problem of scale in Wales: too many small institutions and too many small research units, without the critical mass needed to realise efficiencies or win a sizeable share of research income. HE in Wales needs to change to meet the challenges of demographic trends and increasing competition, within the UK and internationally, for talented academics, students and research funding. The Welsh Government has set out an agenda for greater collaboration between institutions and the wholesale reconfiguration of the HE sector. In response to a request from the Minister for Education and Skills for advice on the future structure of the sector, HEFCW has submitted a report setting out its recommendations. The report will be published. A consultation on the Council's proposals will be undertaken in order to provide stakeholders with an opportunity to put their views forward.

We will also be endeavouring to ensure that in future the global reputation of Higher Education in Wales is restored. This will give our HEIs a springboard to maximise the opportunities provided by a strong global brand.

#### 4c. Transformation

For everyone to reach their potential we need excellence, creativity, innovation and aspiration across the whole skills system. Transformation Agenda will help drive up performance and to improve the efficiency and effectiveness of provision through transforming both pre and post-16 provision in Wales. Officials are currently developing an approach to rationalising pre and post-16 provision to ensure that learners have the most efficient and efficacious structures in place to support high quality learning. This will build on existing developments and be consistent with HEFCW's review of HEI provision and the response to the recommendations of the report of the Independent Task & Finish Group on The Structure of Education Services in Wales.

#### 4d. Further Education

We have worked with Further Education providers to establish three year funding arrangements. This will provide stability and capacity to be able to plan in a more sustainable environment while Ministers consider taking forward the outcomes of the Further Education Governance Review and undertake a fundamental review of post-16 planning and funding arrangements, the outcomes of which will be fully implemented by 2014/15. These developments will serve as key levers of change to the skills delivery landscape in Wales. I am also looking forward to working with the Sector to follow-up on the proposals of the Viv Thomas review into the structure of education in Wales.

