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Framework for co-investment in skills

Taking collective responsibility for skills investment in
Wales

Information

Information document no: 164/2014

Date of issue: November 2014

Framework for co-investment in skills

Audience	All bodies concerned with post-19 education and training in Wales, including employers and their representative bodies; local authorities; regional skills partnerships; further education colleges; work-based learning providers; higher education institutions; trade unions; Jobcentre Plus; Careers Wales and awarding organisations.
Overview	The framework for co-investment in skills will support the implementation of the Welsh Government's policy for rebalancing the responsibility for skills investment between government, employers and individuals. The framework takes forward the action within the skills implementation plan for a policy of co-investment in skills to commence from April 2015 onwards. It also reflects on the consultation which took place in February 2014 which looked at proposals for post-19 adult skills delivery. The framework describes the investment principles which will guide government intervention for post-19 employed status learning.
Action required	None – for information only.
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Additional copies	This document can be accessed from the Welsh Government's website at www.wales.gov.uk/educationandskills
Related documents	<i>Skills performance measures (2014)</i> , <i>Skills implementation plan (2014)</i> ; <i>Balancing the responsibilities for skills investment: proposals for co-investment in post-19 adult skills delivery (2014)</i> ; <i>Policy statement on skills (2014)</i> .

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Introduction

The **policy statement on skills**¹, launched in January 2014, identified the need to secure a financially sustainable skills system over the coming decade. To do this we must maximise the pool of resources available to support the delivery of skills in Wales and rebalance the responsibility for skills investment between government and employers.

The Welsh Government is continuing to invest in the skills infrastructure of Wales. However, given the context of reducing public finances, it is clear that resources will need to be prioritised where they can have most impact. In tandem we are also seeing increased levels of investment by employers in the skills of their workforce as well as a larger percentage of the employees in Wales receiving training². Despite this, there remains more we can do to influence the level of skills investment taking place by employers and to reduce the dependency on government funding for training. This is a long-term challenge which requires cultural change amongst employers, training providers, and government, but is something which must be tackled if we are to develop a financially sustainable skills system over the next decade.

The **skills implementation plan**³ sets out the change programme being taken forward to deliver the reforms needed to the skills system in Wales and in preparing the ground for conditions beyond the current round of European funding. To inform the delivery of the plan, a consultation took place focusing on the approach needed to rebalance the responsibility for skills investment⁴. It is widely recognised that a revised approach to skills investment is needed to ensure policies and programmes implemented by the Welsh Government are appropriately resilient and that we can collectively plan for a sustainable skills system for Wales.

Defining a framework for co-investment in skills

The term co-investment was defined in our consultation documentation as being where the total cost of training, in cash terms, is shared between two or more stakeholders⁵. These stakeholders are broadly from three key groups: employers, government and individuals. Supported by responses to the consultation, it is recognised that co-investment cannot be purely defined by the transactional relationship between government and employers – it is far broader.

¹ Welsh Government, Policy Statement on Skills (2014)

² Comparing the results of the UK Commission for Employment and Skills (UKCES) Employer Skills Survey from 2011 and 2013.

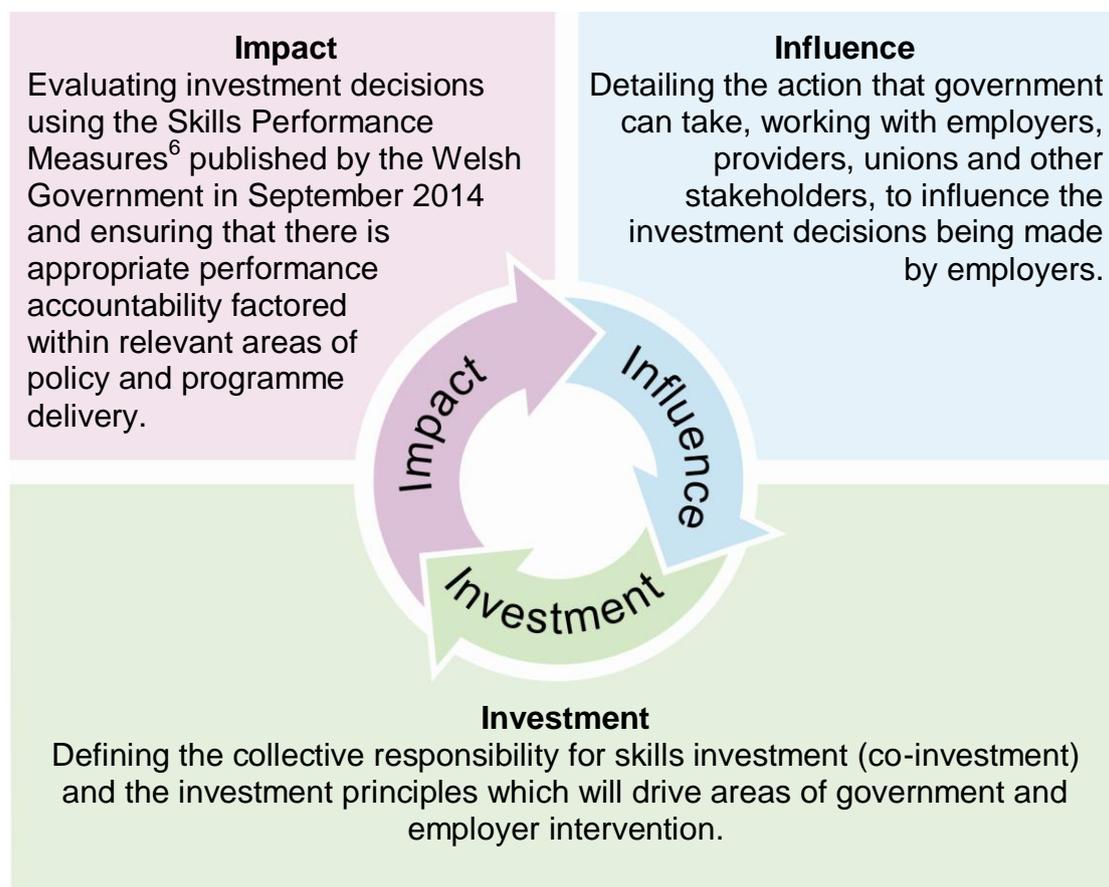
³ Welsh Government, Skills Implementation Plan (2014)

⁴ Balancing the responsibilities for skills investment: proposals for co-investment in post-19 adult skills delivery www.wales.gov.uk/consultations/education/proposals-for-co-investment-in-post-19-adult-skills-delivery/?lang=en

⁵ See *Ibid.*

If Wales is to close the gap with other parts of the UK in terms of employer investment in skills, it is important that we take steps to ensure that more employers are investing in the skills of their workforce. This is the overall aim of the co-investment framework.

The framework recognises the varied and wider range of investments being made in skills and thus focuses action on three areas:



The framework focuses on the mechanisms used by government and employers to invest in the delivery of skills. It recognises that there are wider actions taking place in Wales, such as the Welsh Government Jobs Growth Wales programme, which influence the level of skills investment, whether from government, employers or individuals. The framework is not seeking to define all areas of skills and training support available in Wales. These include support for employees outside their workplace (and not funded by their employer), as well as those individuals who are seeking employment, are yet to enter employment or are in full-time study as well as any grant funding supporting the higher education sector given the independent review currently being led by Sir Ian Diamond⁷.

⁶ Welsh Government, Skills Performance Measures (2014)

⁷ Review of higher education funding and student finance arrangements in Wales.

Influence

The Welsh Government has a key role in influencing the level of skills investment taking place in Wales. For example, Welsh Government will promote skills investment directly with employers and, wherever possible, make resources available which add value to the investment in skills being made by employers.

The skills implementation plan incorporates the policy levers we will continue to use in influencing the investment decisions of employers. These include:

- Influencing the demand for skills – for example, by working with employers to utilise better the skills of their workforce, which is being piloted within the construction and creative industries sectors.
- Influencing the supply of skills – for example, by working with employers to advise on the relevance and value of vocational qualifications, supported by Qualifications Wales and the work of Sector Qualifications Advisory Panels.
- Influencing the quality of skills investments – for example, the regional employment and skills plans being produced by the regional skills partnerships which will provide the evidence for identified investment priorities in each region; they will provide a perspective on where skills provision could be enhanced in response to new infrastructure projects or the specific skills needs of the workforce within the region.

Investment

The Welsh Government has a strong and continued commitment to the skills infrastructure in Wales, including through our Work Based Learning programme and the employment and skills support made available to employers.

In addition, between 2011 and 2013, Wales saw total employer expenditure on training increase from £1.5 billion to £1.6 billion⁸. This has helped narrow the gap with other parts of the UK in terms of the level of investment in skills. During the same period we have also seen the proportion of the workforce receiving training rising from 56% in 2011 to 62% in 2013⁹. These are positive signs that we are moving in the right direction and demonstrate the willingness and continued commitment of some employers to supporting the skills needs of their workforce.

⁸ UK Commission for Employment and Skills, Employer Skills Survey 2013 (2014)

⁹ See *Ibid.*

Despite these achievements there remains more we can do to influence the level of skills investment taking place. The framework provides the mechanisms for working with stakeholders to challenge those employers who are not currently investing in the skills of their workforce and, where necessary, for putting in place joint action with employers to influence the supply, demand and quality of skills investments.

The framework provides the basis for the investment principles for government to be implemented from April 2015 as well as defining potential areas of joint action where government intervention can add value to the investment decisions made by employers.

The table below provides an indication of where investments will be focused in future in order to maximise the pool of resources available for investing in skills delivery.

Responsibilities	Investment
<p>Government-led¹⁰ – where the primary focus is on areas of economic and social return where government can take a lead role and support the focus on jobs, growth and tackling poverty.</p>	<p>Subject to the availability of government resources the focus of investments will be to support:</p> <ul style="list-style-type: none"> • Apprenticeship provision at level 3 and below for under 25s • Higher level apprenticeships (excluding higher education prioritised qualifications) • Support for up to Level 2 in essential skills of numeracy, literacy and ICT • Welsh for Adults • Preparation for life and work (includes provision for learners with learning difficulties and/ or disabilities)¹¹.

¹⁰ Government-led funding covers the period up to 2015-16. Commitments beyond 2015-16 are contingent upon future budget settlements with resources prioritised accordingly.

¹¹ Also known as Sector Subject Area 14 incorporating studies and skills that are key and essential in preparing for learning and life and that enable personal development; and studies and skills in preparing for working life.

Joint action – activities where the combined effort of government and employer resources can interact to add value to the investments being made by both parties. Potentially win-win scenarios where government and employer priorities align and yet do not displace investment decisions employers are already making. In general, time-limited investments by government likely to diminish in the long term.

Where additional resources from government are available the focus of investments will be to:

- Develop the supply of skills provision (for example by working with employers to establish new training programmes relevant to their needs).
- Expand the demand for skills provision (for example by establishing incentives which seek to widen the level of employer investment).
- Improve the quality of skills investment (for example by supporting employers to develop apprenticeship provision).

The above principles will, for example, apply to the Welsh Government Work Based Learning programme, the Flexible Skills Programme and the Skills Priorities Programme currently being piloted.

Employer-led – where employers take the lead role for the skills investment associated with their workforce.

To complement the resources being made available from government, employers will be expected to support:

- Apprenticeships up to level 3 for those aged 25 and over (excluding essential skills up to level 2 and support for higher apprenticeships)
- Accredited and non-accredited training for employees 19 and over

For the period 2014-20 Wales will receive European Social Fund (ESF) support to deliver specific economic and social objectives agreed with the European Commission, delivering a demand-led approach to address key skills gaps and shortages and underpin growth and jobs. ESF funding may be awarded to boost activities which are government-led, employer-led or for joint action. The Welsh European Funding Office (WEFO) will expect ESF-supported activities to consider the importance of stimulating employer demand for skills and incentivising, where appropriate, employer or participant contributions to help develop a stronger culture of cost sharing.

Impact

In September 2014, the Welsh Government published Skills Performance Measures aimed at assessing progress towards the goal of a sustainable and competitive skills system for Wales. By April 2015, the intention is for the measures to be integrated within Welsh Government policies and programmes relating to skills and employment.

The measures not only relate to the level of skills investment being made available by employers but include monitoring the proportion of employers who are investing in the skills of their workforce, the forms of training being undertaken and the volume of employees being supported. The measures will be important in monitoring the quality and impact of the investments being made in skills on the basis of:

- **Jobs and growth** – for example evaluating how the investments being made in skills are resulting in improved levels of productivity and utilisation of skills in the workplace.
- **Financial sustainability** – for example reducing the level of dependency of some employers on support made available by government for training.
- **Equality and equity** – for example aligned with our focus on tackling poverty¹², ensuring that investments are supporting a wide range of individuals to access training opportunities in their workplace.
- **International skills benchmarking** – for example tracking the skills being delivered against the outlook for jobs in Wales to ensure we remain competitive as a nation.

In reviewing the impact of our investments we will be seeking to recognise those employers who are taking action on skills as well as to create the right conditions for networks of employers to address their skills requirements collectively. Where relevant, this will include making use of social clauses or other relevant frameworks required to pursue industry-wide action on skills.

Looking ahead

The framework will start to be implemented from April 2015 and will be led by individual programme areas. Programmes led by the Welsh Government, such as the Work Based Learning programme, the new Flexible Skills Programme and the Skills Priorities Programme, will reflect the published investment principles. In the longer term we expect improvements in the overall quality and impact of training in Wales as employers take a more prominent role in investment decisions. The intention is for all elements of the framework to be fully implemented by 2017, with significant progress being made towards that goal in each of the intervening years.

¹² Guided by the outcomes of the Welsh Government Tackling Poverty Action Plan and Strategic Equality Plan.

From a government perspective, we recognise our responsibilities for skills investment in Wales. This will involve working closely with employers and trade unions to target our resources on areas of economic and social need, for example supporting employees at most risk of falling out of the labour market to access training opportunities. We will also reflect on the foundational skills needed across the economy, particularly in terms of literacy, numeracy and ICT skills, to ensure the workforce as a whole has access to the skills needed to support the focus on jobs, growth and tackling poverty.

The co-investment framework aims to provide a strong foundation for **shifting the emphasis from a government-led approach to skills investment to a system influenced and led by employers**. The investment made by employers, supported by the co-investment framework, will place them in a stronger position to challenge the skills system in Wales. The focus will be on extracting the maximum value for money and on ensuring that training provision is meeting the needs of their workforce. Our shared goal is ensuring that the investment being made in skills has the maximum impact on our future prosperity as a result of a productive and skilled workforce in Wales.

Framework for co-investment in skills summary diagram

